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ECONOMIC POLICY, ORGANIZATION, AND MANAGEMENT

BUNICH WRESTLES WITH COST ACCOUNTING CONCEPT

Moscow EKONOMICHESKIYE NAUKI in Russian No 7, Jul 80 pp 19-31

/Article by Corresponding Member of the USSR Academy of Sciences P. Bunich: "Cost Accounting Methods at All Levels of Management of the Sector"/

/Text/ The increase of production efficiency is the central economic problem of the long-range period. Its solution requires the more thorough effect of economic levers and stimuli, in the system of which the development of cost accounting stimuli is the most important and the most generalizing. This is emphasized with the utmost force in the decree of the CPSU Central Committee and the USSR Council of Ministers "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality" (12 July 1979). Steps have been elaborated on strengthening cost accounting in the main link--production associations (enterprises). A policy of strengthening cost accounting "horizontally" (between partners at each level of management) and "vertically" (between the different levels of sectorial management) has also been outlined. In this connection the importance of elaborating the entire set of problems of cost accounting is becoming topical.

Cost accounting is orientated toward planned self-financing. Thus, it requires of production collectives not only the recovery of the production cost and even not only a profitability, but a profitability as a minimum in the standard amount necessary for the accomplishment of self-financing. On the basis of the results of self-financing the cost accounting collectives stimulate their partners--in the standard, above-standard amount or (if it was not possible to achieve self-financing) at a level lower than the standard. In order to carry out cost accounting activity the collectives should have certain rights. The minimum of them is the right to perform planned management as economically as possible and to use a portion of the resources from the results of effective management for the stimulation of the workers. Such, in our opinion, is a possible characterization of the essence of cost accounting, of its inimitable functional role in the economy.

/At different levels of the management of a sector the completeness of the implementation of cost accounting principles does not coincide/ /in italics/. As a whole they are embodied most completely on the level of the production association (enterprise), as a whole less completely in the higher links of sectorial management, where, as is known, the act of selling does not take place, consequently the immediate circulation of the value of the productive capital is not accomplished. The sectorial ministries and industrial associations are able to bear material liability for the decisions made by them not on the scale of the caused harm, but within the framework of some centralized funds. There are also other features which signify the limitedness of the effect of cost accounting principles at the level of the sectorial ministry and the industrial association as compared with the level of the production association.

On the other hand, with a shift to higher and intermediate links many factors, which do not depend on the enterprises, are transformed into factors which depend on the ministries and industrial associations, the framework of the generalizing indicator is accordingly broadened. Major sectorial and subsectorial cost accounting complexes almost always require considerable development, that is, the receipt for this purpose of the appropriate assets as a result of economic activity. Moreover, they have much information, which in combination with their broad scope makes it possible to optimize a substantial portion of the expenditures on expanded reproduction. Finally, the results of the activity of the sectorial systems and subsectors average out the swings of individual enterprises and create a firm financial base for self-financing. Therefore they can effectively manage their own major investment capital.

The cost accounting principles are implemented even less completely in intra-association cost accounting than in the higher and intermediate links. The internal subdivisions of associations bear full responsibility for the substantiation of the cost of their production (in the area which does not depend on them); some of them receive assignments on the profit, a certain portion of the production development funds is allocated to them. All this pertains to the area of self-financing, but does not entirely exhaust it. In the lowest links of the cost accounting pyramid self-financing is especially limited, since the integral value of the objects being used there is used not by one worker, brigade, section and so on, but by a number of larger units of cost accounting.

The following traits also belong to the specific traits of internal cost accounting: the relatively detailed regulation of the conditions of management, the disaggregation of indicators; the rigidity of the technological relations and the planned production schedules, the broadening of the sphere of physical plan assignments; the comparatively limited scale of external relations (with financial organs, banks, suppliers, consumers, contracting organizations and so on).[1]

The /peculiarities of cost accounting/ /in italics/, which have been noted at different levels of sectorial management, just as the different completeness of the effect of its principles, /do not lead to the breakdown of the sectorial cost accounting system/ /in italics/, if they are established by the disaggregation of the integral and are organized, if it can so be stated, according to the "matreshka"* principle. The specific can undergo development when it does not contradict the general and does not hinder the comprehensive approach in the primary, determinant, main thing. The system of cost accounting in a sector should operate so that each link of it would be a subsystem, and not an isolated component. In other words, the problem reduces to the fact that the cost accounting relations within the sector should form a unity, and not a mechanical aggregate of incompatible elements which are alien with respect to each other.

Let us cite a specific example. Accounting prices are used in internal cost accounting. The question arises: Which is better: when they are set absolutely independent of the final, wholesale prices and have nothing in common with the latter or when they are derived from the list prices, with which they correspond in every possible way? In the former case the internal prices are higher or lower than the list prices. If they are higher, the evaluation of the activity of the subdivisions goes beyond the evaluation of the association as a whole and it is indebted to the subdivisions. The system of guidelines of the association and the subdivisions in this case breaks down. If the internal prices are less than the list prices (in excess of the necessary centralization of a portion of the profit), the subdivisions lose the proper stimuli for production, their interests again conflict with the interests of the association. In practice, unfortunately, errors are made in the direction of both the overstating and the understating (this will be discussed below) of internal prices. The resultants were unequivocally negative.

If the internal prices gravitate toward the wholesale prices, the actions of the subdivisions and the entire association join, coincide to the greatest extent. The interrelations between the independent enterprises and the production units in production agro-industrial (production-agricultural) associations are organized on the basis of state purchase and wholesale prices. At many other associations the list price serves as the ceiling of the internal price. The profit, which is contained in the internal prices for the products of the individual subdivisions, should not exceed this limit. Moreover, it should be established at the lowest level, in order to make it possible to create plantwide funds, as well as to provide for the stimulation of services, the activity of which is difficult to connect with the receipt of the profit, which was created by the collective as a whole, by the entire complex of shops and services.

An unquestionable conclusion follows from what has been said: the less the "conditionality" of the internal prices is and the closer they are to reality, the better the conditions are created for the successful functioning of the cost accounting mechanism.

On the basis of the combination in the different links of sectorial management of both the common and the particular traits of cost accounting as compared with the link of the production association (enterprise), let us examine some problems of the improvement of the cost accounting methods of work in the highest and internal links. Let us begin with /the highest link/ /in italics/.

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*Russian nesting dolls. Perhaps implying a graduation of size or when one theory leads to another, and they all fit together as a whole.

The position, the supporters of which oppose the changeover of sectorial ministries to cost accounting methods of work on the basis that this will ostensibly increase departmental interest, is well known. It is even claimed that such a step will give rise to this interest, while now, according to this logic, there is only an exclusively national interest. Meanwhile it is well known that the ministry is an organ of the state, that its activity is limited by restrictions which are established by superior organs and which (assignments, limits, criteria of activity and others) guarantee the national interests. Given their existence, the cost accounting of ministries is an incentive for more economical work on the fulfillment of state plans. Therefore, there are no real grounds to believe that the changeover of sectorial ministries to cost accounting methods will lessen their concern about national economic interests.

Let us note in this connection: the USSR State Bank has been operating on a cost accounting basis for a long time, yet no one has disclosed (and could have disclosed) that this prevents it from expressing the national interests. The consumer cooperative also operates on a cost accounting basis, yet from this it by no means follows that it expresses only the interest of the cooperative and does not serve the realization of national interests.

Sectorial and departmental interests result from the very existence of the sector and the department (ministry), and not from the fact that it operates on a cost accounting basis. Here it is doubtful to see a national economic approach only for higher sectorial organs and to deny it for state enterprises. A three-in-one interest: national, collective and personal, is characteristic of all the links and workers of the sectorial economy.

An advantage of the activity of the higher sectorial levels operating on a cost accounting basis is their /material interest, as well as responsibility for the best performance of centralized administrative functions/ /in italics/.

There are operations which are not subject to centralization, for example: the course of the main production process, the operation of intraplant transport, especially in the extractive sectors, the routine maintenance of equipment (inspections, current repairs and others), the major repair of fixed capital and its modernization. It is economically advisable to perform these operations locally. The same thing applies to the production of some types of nonstandard equipment, tools and equipment accessories, if this is justified from the point of view of economic efficiency. Every association and enterprise needs warehousing services for the storage of the minimum stocks of raw materials, materials, components and finished items, a tool-issuing service and a technical control service.

At the same time there are many production functions, which are performed today directly by associations (enterprises) and which could be performed (and to a certain extent are already being performed) centrally with great effectiveness. Among them, as a rule, are: construction operations, the activity of sales organs, the major repair of large-tonnage and especially complicated equipment (one of the possible forms of its centralization is the trip of specialized repair brigades to the sites), the production of mass spare parts. It is also more advantageous to meet centrally the needs of associations (enterprises) for energy. General scientific research and planning and design organizations, centralized pilot experimental and start-up and adjustment complexes are effective. The centralization of computing operations (with the exception of especially large enterprises, at which their "own" computer centers are necessary), patent and license services, technical library-distributing centers, services for the generalization of advanced know-how and the scientific organization of labor, calculations of production capacities and the determination of other standards, accounting and statistics, the functions of the client for capital construction is being developed.

The majority of the indicated operations, given their considerable amount, can be performed by separate specialized enterprises on conventional cost accounting bases, in other words, on a cost-recovery basis. Each such enterprise acquires a relatively independent system of management, while the interrelations between it and the consumers of its services do not assume the nature of open cosubordination.

But apart from the centralization of production economic functions, the higher sectorial organs perform administrative work as such, which is their main task. Such work gives the system a "plus" to effectiveness, although it is possible that some enterprises suffer. Under these conditions the assignments "from above," of course, are of a strictly instructional nature, while the relations of the "upper levels" with the "lower levels" take the form of explicit cosubordination, of subordination. From the obtained "plus" it is possible to recover the losses of individual collectives, to contribute additional capital to the benefit of society and in principle to pay for the services of the staff subdivision which made the optimization estimates.

Unfortunately, in practice it is difficult to evaluate the impact of management, to calculate its "price." But the lack of a "price" does not mean the lack of service. It makes it encumbent only to seek other, less precise methods of payment for the center of the system. In particular, such a method as the establishment for the staff machinery of a bonus from the deductions from the material incentive funds of subordinate managements has been disseminated. With this system the cost accounting indicators of the staff of the system are identified with the cost accounting indicators of the system as a whole, the cost accounting evaluation of the staff of the management of the sectorial ministry is identified with the cost accounting evaluation of the sector, the result of the industrial association is identified with the result of the production associations (enterprises) belonging to it. This at times is inadequately substantiated, but in most cases is justified and, consequently, permissible.

Thus, /vertical economic relations/ /in italics/ in many respects are /reimbursing, property-value/ /in italics/ relations (including with a cosubordinate nature), which also found some reflection in legislative acts and standard documents. Thus, in Paragraph 44 of the General Statute on the All-Union and Republic Industrial Associations it is stated that in the case of the harm of enterprises from a change in the plan the administration should solve the question of the sources and amounts of compensation for the harm.

In Bulgaria a procedure of the mutual responsibility of state economic organizations and their production subdivisions has been established. Thus, the state economic organization should reimburse the subdivisions for all the economic losses, which it caused by its actions or inaction, including the economic losses from the untimely placement into operation of new capacities, in the financing of which the state economic organization was an investor, the losses from untimely supply or violation of the specifications, when supply activity is performed by the state economic organization, the harm from the lack of technical and technological documentation, models of new items and so forth, when the corresponding obligation rests on the state economic organization and others. The production subdivisions reimburse all the forfeits, penalties and others, which were paid by the state economic organization through the fault of the subdivisions.

The changeover of the sector as a whole and its staff in particular to self-financing does not rule out other sources of financing for some spheres. Thus, basis scientific research, the development of a fundamentally new complicated product, the development of new territories, the sharp acceleration of the growth rate of sectors, for example, the automotive industry, require permanently or temporarily state financial support. This support should, in our opinion, be of a goal nature, be determined by the degree of development of the above-mentioned spheres, and not depend on the profitability of the sectors, in other words, in principle should be granted equally to sectors with both a high and a low profitability. The departure from self-financing in such cases on the scale of sectors is less than on the scale of enterprises. It is natural that the indicated measures, which do not undermine cost accounting on the level of enterprises, all the more are not contrary to sectorial cost accounting.

The introduction of cost accounting principles in the work of higher sectorial organs began in the early 1970's with the USSR Ministry of Instrument Making, Automation Equipment and Control Systems and the Main Administration of Motor Transport of the Moscow City Soviet Executive Committee. At the mentioned complexes and those which joined them later proportionate deductions from the profit for all their planned needs were introduced, which at times began to be called planned self-financing or sectorial cost accounting. In some cases subsidies were retained. The experiment proved successful and received a favorable appraisal.

The decree of the CPSU Central Committee and the USSR Council of Ministers "On Improving Planning and Strengthening the Influence of the Economic

Mechanism on Increasing Production Efficiency and Work Quality" calls for the gradual introduction of cost accounting methods in the activity of industrial and construction ministries. Beginning with the 11th Five-Year Plan there will be set for the industrial ministries (as they become ready) a stable standard of the deductions from the profit, which are at their disposal. The ministries will be able to establish such standards for all-union (republic) industrial associations, as well as for production associations and major enterprises.

The introduction of cost accounting principles in the work of /subdivisions within production associations/ /in italics/ serves as an important component of the development of cost accounting "vertically." The task here is to direct the interests of the internal units along the line of the interests of the association as a whole, as well as to give a "name and surname" to every achievement or failure, to see the leaders and laggards at every level of the association down to the workplace.

There are many scholars who support the fundamental discrepancy of the cost accounting functions of associations and their internal subdivisions. They stress the fact that there are no commodity-money relations within associations. Hence practical conclusions are drawn about the need for the restriction, the curtailment of cost accounting relations within associations, about the use in them only of elements, individual features of cost accounting. Thus, A. Sibirev writes: "...within enterprises such categories as price, profit, profitability are of a purely conditional nature. They are used here only for accounting and control."[2] B. Valuyev takes essentially the same position: "...the process of transforming the surplus product into its specific monetary form goes beyond intraworks cost accounting relations. Therefore, the shop profit and profitability do not have any serious theoretical basis."[3] There is also advanced against the use of the indicator of the profit in internal cost accounting the objection that on the level of subdivisions it does not convey the commercial results. Therefore, they say, its use can lead to a discrepancy with the final profit. In this connection attention is drawn to the indicator of the production cost. It is claimed that since there are monetary forms without a value content (for example, wages), nothing prevents the retention of the form of money when its commodity base is absent in the area of internal cost accounting.[4] The authors of these ideas are overlooking an obvious consideration: from the fact that there are economic phenomena, which are based on the retention of the monetary form without a commodity content (for example, wages), there in no way follows the legitimacy of also grouping internal cost accounting with these phenomena.

R. A. Belousov categorically rejects the use of the profit in intraplant cost accounting, stating: "It is incorrect to organize intraplant cost accounting on the basis of the indicator of the conventional or accounting profit." The point is that "this merely complicates planning, accounting and stimulation at the enterprise and requires additional expenditures of working time. It seems that it is simpler and more effective for the individual shop or other subdivision of an enterprise to use as an indicator of the effectiveness of its work the data on the reduction of the production cost or the saving of living and embodied labor in physical terms."[5]

However, the commodity relations between enterprises are oriented toward the necessary expenditures as such only when the principles of commensuration in the monetary form of the expenditures and results are observed at all the stages of the technological cycle, when this commensuration permeates the entire mechanism of internal stimulation. Although the product and the profit receive public recognition in circulation, this recognition is formed by the entire technological chain of the production of a commodity, and it cannot meet the demands of society, which are made on it as a commodity, if the cost accounting principles are violated during its creation.

The decisive influence of "outside" attributes and the subordination to them of the internal circulation of products, which are used for direct consumption, were noted by K. Marx. In "Theories of Surplus Value" he wrote in connection with the question of whether the products of farming are a commodity: "...precisely the sale of these products, and not their use for direct consumption, is of essential importance."[6] The idea of the primacy of the final relations over the preceding relations is also examined in the following assumption: "The /components of production/ /in italics/, of course, also become commodities to the same extent as /products/ /in italics/ become commodities."[7] Another assumption, which is of particular interest to us in the connection in question, states: "But once things have been transformed into commodities in external relations, by means of retroaction they also become commodities within the community."[8] This was stated as applied to unpremeditated exchange. The exchange of products, which are directly produced for sale, influences all the more the nature of production in the direction of its marketability. Thus, the internal subdivisions have objective bases for the active use of value indicators, in which the prerequisite for full-fledged internal cost accounting is incorporated.

In speaking about the preferability of the gravitation of internal indicators toward reality or conditionality, we must also speak about such a line of reasoning as the ostensibly "fundamental" inability of the internal profit to take into account the commercial results and at the same time the "property" of the production cost to detect them with adequate precision. Let us note first of all that without special measures the production cost is quite capable of disagreeing with the commercial results. If it is, for example, higher than the proper level, but is nevertheless paid in full to the subdivision, as a result of this the association will have a deficit. Thus, it is necessary to recover the production cost with a certain shortage with respect to its possible social recognition. The situation is exactly the same with the internal profit, when it is recognized a priori only in a guaranteed amount, without consideration of the uncertainty introduced by the process of sale. However, the profit in contrast to the production cost conveys not only the expenditures, but also the results and therefore is a more complete, summary indicator of efficiency.

A few words about the "separation" of economic functional activity from the lower units of associations. It entails the fact that the punctual observance of economic standards is assigned to the shops, sections and brigades, while a saving as compared with them is not stimulated. Under these conditions the standards set from above are not "criticized" actively enough by the workers from below and subsequently are maintained at a comparatively overstated level. If the lower units were paid bonuses for the saving of materials and the lengthening of the life of equipment, they would ensure both a greater saving of these expenditures and a retroaction to their proper standardization from above.[9]

The use of the indicator of the profit for accounting and the evaluation of the activity of the internal subdivisions of an enterprise requires expenditures, and this often acts as an argument against the use of this indicator. It is well known, however, that in practice no matter can get by without expenditures, and the goal is not at all for them not to exist, but for them to be justified by the results. Consequently, the indicator of the profit is useful when as a result it yields a gain. For example, the use of the profit, of internal prices under the conditions of the use of shop semimanufactures for diverse purposes, with the repeated technological return of a product to the same shop for the performance of various operations, with a changing "distribution among shops" and so on, is not justified. For all that /the generalizing indicator remains, as a rule, a value indicator/ /in italics/. Physical indicators can hardly often perform this role: they are not able to unite all the expenditures in a single expression. Moverover, these indicators are incompatible with results which require monetary measurement (the physical indicators of the impact, even if they do exist, do not reveal all its aspects and differ from the physical indicators of the expenditures).

A tendency to consolidate internal cost accounting was noted quite clearly beginning in the second half of the 1960's. An overall increase of the demands on the economic levers of effective management appeared. Subsequently, however, the attention toward internal cost accounting in a number of ministries, associations and enterprises was relaxed. The indicator of the internal profit began to be replaced widely by the indicator of the production cost. In 1976 Gosplan, the Ministry of Finance and the USSR Central Statistical Administration even issued a recommendation, in which it was stated that the settlements between the subdivisions within associations must be made according to the planned production cost, that is, without internal prices and the indicator of the profit. Collectives began to reject the decentralization of the material incentive funds and to orient the cost accounting subdivisions primarily toward the physical, technological parameters of production. According to the data of a survey of a number of enterprises of the USSR Ministry of Machine Building for Light and Food Industry and Household Appliances, the proportion of works, which use the indicators of the profit and profitability, decreased from 75 percent in 1969 to 60 percent in 1973.[10] The analysis of the data of 40 machine building enterprises, which was made by the Scientific Research Institute of Labor, showed that the workers of 67 percent of the shops are paid bonuses for the fulfillment of the plan on the gross of commodity production, 19 percent of the shops--on the production cost, 8 percent of the shops--on the profit.[11] According to the materials of 21 associations and enterprises of the automotive industry it was established that only at 3 of them are the indicators of internal cost accounting coordinated with the indicators on the level of the main cost accounting unit, in 10 instances a mixed system made up of new and previously used indicators is used, while in 8 the old indicators are in effect.[12]

Such a course of events had its causes. Among them were: the difficulties of determining and using internal prices, the aspiration of the managers of associations to be completely in charge of the material incentive funds, the idealization of the standards of material, labor and financial expenditures, which (the standards) are set centrally at the associations and are ostensibly always so good that they must merely be strictly observed. With the distribution of the material incentive funds among the internal subdivisions at times so few centralized resources were left in the hands of the associations that there were not enough of them for the regulation of stimulation in the case of the nonfulfillment of the overall plan assignments. The new forms of internal cost accounting were poorly elaborated and inadequately prepared and therefore did not meet the needs of practice. Hence, however, it does not at all follow that the consolidation of internal cost accounting has been removed from the agenda. Quite the contrary--without the strenghtening of cost accounting relations at the very basis of the economic pyramid it is impossible to obtain the total impact from changes at the superior levels of management.

The forms and methods of cost accounting within associations are determined directly locally, and are not established from above.[13] This ensures their flexible adaptation to the conditions of the activity of each subdivision. Let us examine a few directions of the consolidation of cost accounting within production associations with allowance made for advanced know-how.

The cost accounting methods of the organization of comparatively large subdivisions (production units, branches, buildings, works, shops, technical shops of sea-going ships, firms of all-union foreign trade cost accounting associations, aircraft technical bases, divisions of stores and so on) and the local units of the sectorial economic pyramid (sections, brigades, workplaces) belong to the system of cost accounting within associations.

The improvement of cost accounting /on the level of production units/ /in italics/--in principle new units of management, with respect to which cost accounting is now just acquiring the necessary outlines--merits particular attention. The production units in part participate in external contacts. Thus, accounts for the financing of capital investments can be opened for production units at an institution of the All-Union Bank for Financing Capital Investments or the State Bank, current accounts can be opened at an institution of the State Bank or the All-Union Bank for Financing Capital Investments, a subloan and settlement (subsettlement) account can be opened. The production units conclude economic contracts on behalf of the association, first of all for the use of the resources attached to them (the contracts with organizations external with respect to the association for the construction and capital repair of production and housing facilities, for example, are of this nature). The suggestion of a number of scholars on allowing territorially remote units to sell excess equipment and material assets in case of the rejection of the association to redistribute them or nonacceptance at the central warehouse seems valid.

If the production units have a self-contained cycle and are the producers of a finished product (final units) or if the use of internal prices is economically justified, the conditions exist for the determination of the profit of each major internal subdivision. The knowledge of this profit is necessary in order to detect the differences in the production efficiency of the different subdivisions. The production units of such associations as ZIL, MAZ and others use the indicator of the profit (in the form of the accounting profit, the profit less the fee for capital).

The question of allocating to production units their own material incentive funds, which are intended both for the solution of the problems which directly face the given level of management and for the stimulation of the lower levels (these funds are the aggregate cost accounting resources of the entire structure which belongs to the production unit), is urgent. The establishment of internal prices for the products of the production units with allowance made for the material incentive funds, which are stipulated by the plan and are differentiated by amounts, is one of the possible "technical" means of solving this question. The planned profit in a number of instances can also include the conventional fee for the capital which is attached to one production unit or another.[14] Here the internal prices and the profit included in them should be established by the disaggregation of the list prices, which reflect the impact of the output of various products, and not by the mechanical addition of the differentially calculated material incentive funds and other components.

Some authors reject the expedience of distributing material incentive funds among the internal subdivisions, claiming that it changes nothing as compared with the centralized issuing of bonuses according to the established bonus systems. In reality when creating material incentive funds in production units the opportunity arises to solve a number of problems in addition to the direct "distribution" of bonuses in accordance with the established systems of the payment of bonuses. Here are some of these problems:

the stimulation of the saving of productive capital (by the transformation of a portion of the saving on the fee for capital into the material incentive fund);

the consideration of the observance of planning discipline and the quality of labor (by the reduction of the material incentive fund by the portion of the paid internal fines and the increase by the portion of received internal fines, as well as by a change of the funds in accordance with the markups for product quality);

the stimulation of the use of fixed capital during the entire established service life (by the attribution to the material incentive fund of a portion of the unamortized value of the retired fixed capital);

the formation of material incentive funds for the stimulation of the winners of the socialist competition within the production unit;

material stimulation for the fulfillment of especially important assignments, the provision of material assistance.

The production units in production, construction and installation production and agro-industrial production associations also have placed at their disposal a portion of the fund for sociocultural measures and housing construction and can receive a portion of the production development fund.

If the profit of the internal subdivisions is allocated for the material incentive funds and the fee for capital, each ruble of obtained saving will, as a rule, be transformed into a ruble of incentive, while each penalty will automatically be covered at the expense of the material incentive funds. At the level of the association as a whole the saving, which forms the additional profit, becomes the material incentive fund only in a certain proportion (in conformity with the standards of the growth of this fund according to the fund-forming indicators). Penalties are also offset in part from the material incentive funds, and in part by the reduction of the profit being distributed. So that the amounts of the material incentive funds of the internal subdivisions would not be at variance with the amounts of the corresponding fund of the entire association, it is necessary, perhaps, to elaborate special standards of proportionate contributions to the material incentive funds from the saving and the proportionate compensation for the penalties from the same source.

Internal fines were discussed above. Let us dwell in a bit more detail on this question. In the internal cost accounting of some associations penalties are imposed for the nonfulfillment of mutual obligations--between component units and the conveyer (for the violation of the plan on mutual cooperation on time, on work quality and so on), between the main works and the ancillary services (for deviation from the schedule and deadlines of repair, the untimely and poor quality production of accessories and tools, poor transport and power equipment and others), between the production units, shops and services of the plant administration (for the untimely provision of planning estimates, interruptions in supply, delay with the preparation of technical specifications, nonobservance by the shops of the rates of consumption of materials, the standards of working capital and so on). It turns out that the penalties are limited to fines without compensation for the losses of the injured party. Such a practice solves half of the problem--it punishes those who work poorly, but does not recover the losses of the partner. As a result the latter ends up in a difficult position--it does not receive the profit which it actually earned. Fines must be calculated so as to recover all the losses of the injured party.

On the basis of the analysis of advanced know-how it seems expedient to establish for production units, as a rule, the following planning indicators:

a products list according to the items which go beyond the production unit (this products list should conform to the standards, for example, the dimensions, the content of the basic metal in the ore, the quality);

the deadlines of the delivery of the products being produced (or the smoothness of production);

the indicators of the improvement of product quality;

the procedure of exacting and establishing the amounts of the penalties for the nonfulfillment of the products list plan and the deadlines of deliveries;

commodity production (conventional sale); for the units which independently ship their goods to the buyer and deliver payment documents to a division of the State Bank--the sale;

the standard of wages per ruble of net production (standard), which is calculated with allowance made for the correct ratio between the growth rate of labor productivity and the average wage;

the limit of the number of workers;

the introduction of new equipment, technology;

the conventional profit;

the internal prices, the internal rates of the fee for capital, the standards of material expenditures;

the standards of the formation of stimulation funds (separately for each fund) from the accounting profit and so on.

It is possible to assign to the accounting indicators of the production units: the distribution of personnel by categories of workers, the output-capital ratio, the turnover rate of working capital, the average wage, including by categories of workers, and a number of others.

The enumerated planning, estimate and accounting indicators, of course, are not obligatory in their indicated set. They can be altered subject to the peculiarities of the sectors, the nature of production, the distance of the branch or production unit from the main plant, the importance of one component or another of efficiency for the given specific conditions. The choice of indicators of internal subdivisions also depends on the use in management of computer hardware, since computers reduce the cost of the estimates of the internal prices and make their use more effective; more favorable conditions for determining the internal profit accordingly arise.

The question of /the reorganization of the cost accounting of shops/ /in italics/ is ripe. Some shops have a complete cycle of the manufacture of a product or function under the conditions of undeveloped intraworks cooperation. Their indicators coincide with or approximate the indicators of production units. Thus, the shops of the ZIL Association have internal prices, "pay" a fee for capital, form a profit and material incentive funds. The indicator of the profit is used by the shops of the Moskvich, MAZ, UAZ, KamAZ and other assocciciations, and among these associations there are both those, which plan the material incentive funds for the shops (for example, AvtoZIL), and those, which do not do this (for example, UAZ). Indicators of the profit, which are calculated on the basis of internal prices, are also used at many other enterprises.

The indicator of the production cost is established for the most part instead of the profit for the shops of enterprises of mass (large series) production with developed intraworks cooperation. A production cost of one norm-hour is established for the shops of enterprises of small series and custom production.

The products list of the shops is characterized by products which go beyond them. Consequently, it is, on the one hand, broader than the products list of production units, including the internal turnover among the shops; on the other hand, it is narrower, since the shops specialize only in individual items or operations, and do not perform all the operations which are carried out by the production unit.

The overall indicators of the association are perforce depersonalized. Therefore, if cost accounting in its concrete and specific forms does not extend to each individual performer, it as if "sags at the level of the top levels" and does not affect the broad base of the economic complex. In order to interest all workers in efficient labor, cost accounting forms, which establish precisely the contribution of each person, must be found and introduced. Under the conditions of modern production this is achieved by /the stimulation of the end results of the activity of brigades/ /in italics/ with subsequent concretization as applied to each worker. Brigade cost accounting stimulates, disciplines and cultivates among workers an interest in efficient labor in the most important, decisive link of production--directly at the workplaces.

Cost accounting (contract) brigades began to emerge long ago. But this movement acquired a broad scope recently. During the first half of 1979 a third of the entire amount of construction and installation work was performed by the contract method. Many thousands of brigades in industry,[15] 20,000 drivers of motor transport and 12,000 machine operators worked according to the new principles.

The creation of cost accounting brigades increases the economic efficiency of production and is of great social importance. Let us begin with the fact that the changeover of brigades to cost accounting presumes as a precondition the attachment to them of physical assets, which are used for the output of finished products. The personification of accounting and the responsibility for physical assets promoted their better preservation and the reduction of the cost of the finished items. It is even more important that in cost accounting brigades it is possible to introduce systems of stimulation, which provide for the payment of wages and bonuses with allowance made for the saving (overconsumption) of the resources being used. The interest in the efficient use of material outlays strengthens the control of the brigade over the raw materials and semimanufactures being received, which in turn promotes the saving of past labor.

The brigade contract in the best possible way makes it possible to take into account the quality of the final product, to establish the markups for the highest quality category and to introduce discounts in the case of work of undue quality. The self-control of the workers over the quality of labor is enhanced considerably, defective output is reduced sharply. Owing to the changeover of brigades to cost accounting an opportunity is created to attribute to the results of their labor the losses, which were detected after the sale of the product to the consumer. The stimulation of high end results (both according to the number of items and according to their quality) develops mutual assistance and mutual insurance in the brigade, promotes the learning of related occupations and the better use of living labor. For example, at the Polimer Production Association instead of the previous system, when the instrument control man was attached only to his own workplace, now the servicing of all the units and machines of the consolidated zone is assigned to the brigade. This made it possible to reduce the number of workers by 20-30 percent.

The appearance of the brigade contract led to the broadening of the composition of the brigades and to their strengthening by means of the inclusion of all the workers who directly determine the brigade results. Therefore the brigades, for example, of industrial enterprises along with workers of the main shops include auxiliary workers: mechanic-repairmen, mechanics on duty (which made it possible to shorten substantially the downtimes of equipment for repair), electricians and others.

Brigades, which embrace the links which are connected by the technological chain, began to emerge following the consolidated brigades. Here even the equipment was moved at times from some shops to others, the subordination of the workers changed.

Combined "superbrigades," which cover several stages of reproduction, are already being created. Thus, the Chelyabinsk Trade Center is linked with the Magnitogorsk Shoe Factory, as a result of which a "coupling" of the cost accounting of production and trade was obtained. Construction brigades are linking up with motor transport workers, mechanization services and the suppliers of construction materials and components. For example, appreciable results were obtained during the experiment conducted by the Tallin House Building Combine, at which construction workers and the workers of the shops, which produce reinforced concrete panels and other parts, and of other shops, which belong to the combine, as well as the transport workers of Tallinavtotrans, which link them, have been included in the contract.

The policy of consolidating brigades is expedient until the achievement of the optimum sizes and does not rule out the diversity of their types. In certain spheres (in assembly operations and others) specialized brigades are efficient. Multiple-skill brigades at the Volga Motor Vehicle Plant and a number of other enterprises cover primarily the ancillary works, the repair of critical parts and the repair sections of the main shops. If the duration of the production process is a multiple of the duration of the shift, mixed brigades are created, if it is longer than the shift, multistage (day-long) brigades are created.

The brigade contract creates an atmosphere of intolerance toward poor work, develops in the worker a sense of being the master of production and collective principles and increases the activeness of the workers in the management of affairs (in particular, with the assistance of the council of the brigade).

The advantages of cost accounting brigades have been completely demonstrated by the practice of socialist management. Thus, the analysis of the activity of 1,164 cost accounting brigades, which was made by the USSR State Committee for Construction Affairs, showed: the construction period was shortened by 17-20 percent, labor productivity was 23 percent higher than the average level. The results of the contract could have been even better, if there had not been some shortcomings which could be completely eliminated. Thus, so far two-thirds of the brigades do not have even annual plans, although there are decisions on the planning of their activity for two years. In 1978 a third of the working time of the brigades was spend not on the building of facilities according to the contract, but on the construction of other, unplanned facilities. In the system of the USSR Ministry of Industrial Construction only 10 percent of the brigades had the uninterrupted supply of resources, 42 percent received them with a delay of 2-3 days, 48 percent received them with an even longer delay. More expensive components than required by the plan are often delivered to the construction projects. For example, instead of reinforcing steel 8 mm thick steel 10-12 mm thick is arriving. The design preparation of construction projects is lagging. Contract operations are not been provided with 12-15 percent of the annual amount of designs and estimates on the necessary dates. Cost accounting brigades receive bonuses for the reduction of the estimated cost of construction, if the saving is achieved not only by the given brigades, but also for the entire construction project as a whole. The total bonuses in them are limited to 75 percent of the monthly wage rate per quarter.

/Brigade cost accounting "links up" with association cost accounting not directly, but through a number of intermediate stages/ /in italics/. Hence the great importance of the cost accounting of "drive devices." That is why the changeover to the brigade contract "from the threshold" placed on the agenda the question of the contract of the section. In 1977 the CPSU

Central Committee and the USSR Council of Ministers in their decree "On Measures to Further Enhance the Role of the Foreman of the Production Section of Industrial Enterprises and Construction Organizations" commissioned the ministries and departments to generalize the advanced know-how of cost accounting in the production sections and with allowance made for the peculiarities of the sectors to draw up recommendations on the improvement of its organization. In conformity with the specific nature of cost accounting construction brigades the bases of the cost accounting of a number of construction and installation administrations have now already been reorganized, which means the changeover from the contract of the section to the contract of the administration.

But the forms of stimulation, which create synchronism between the indicators of the brigades and the superior links, have not yet been completely worked out. Contract brigades, as is known, conclude with the administration contracts, which contain the mutual obligations of the parties. But these obligations are primarily of a moral nature. Penalties are not imposed on the brigade for the frustration of the plan. The superior organizations do not bear responsibility for its transfer to a project, which has not been included in the contract. Their material interest in the brigade results is very small, for the engineering and technical personnel can receive only a small portion of the total amount which has been allocated for the payment of bonuses to the workers for the saving on the estimated cost of construction.[16] It turns out that primarily only some brigades are interested in the meeting of the obligations. According to the data of a survey of 69 trusts and house building combines, of the 200 cases of the nonfulfillment of the contractual agreements in 198 of them superior links were to blame. Of course, under such conditions only a third of the cost accounting brigades were able to cope with their plans. Some of the contract brigades returned to working under the old conditions.

The existing procedure must be changed so that the course of construction would also affect the material position of the administration, in other words, so that the force of the stimuli of the brigade contract would be extended upward. Here the stimulation of all the levels, which are responsible for the construction, should logically be accomplished by the changeover of the construction ministries to cost accounting, which is synchronous with the brigades. Such cost accounting was begun in the USSR Ministry of Industrial Construction. The Belorussian SSR Ministry of Installation and Special Construction Work, the Lithuanian SSR Ministry of Construction and the Main Administration of Construction of Engineering Installations of the Moscow City Soviet Executive Committee use a similar method.

The system of internal cost accounting is being extended not only to production, /but also to functional subdivisions/ /in italics/ (administrations, divisions, services, which carry out development, designing, planning, supply, accounting and so on). Special indicators, which are differentiated depending on what problems are being solved, are used when evaluating their activity. Thus, the level of the labor-output ratio and the observance of the plan on the wage fund are of great importance for the divisions of labor and wages. Planners and designers should be given incentives for the preparation of new types of products. The workers of some functional services deserve rewards both for their "own" indicators and for the indicators of the associations as a whole. It is advisable to give incentives to the services, which do not influence the current results, only for their direct achievements.

In order to improve the state of affairs with internal cost accounting it would be /correct to draw up its Model Statute/ /in italics/, which takes into account advanced know-how. The sectorial ministries and industrial associations could refine it with allowance made for the peculiarities of the sectors and subsectors. The development of all the links of sectorial cost accounting is a major reserve for the increase of the efficiency of socialist production, the use of which requires relatively small expenditures, but provides great results.

FOOTNOTES

1. These relations, which practically did not exist before the creation of associations, now occur. Below we will return to this question again.

2. A. Sibirev, "Materialy konferentsii 'Ekonomicheskaya reforma i vnutrizavodskoy khozraschet'" /Materials of the Conference "Economic Reform and Intraplant Cost Accounting"/, Moscow, 1970, p 26.

3. B. I. Valuyev, "Upravleniye ekonomikoy v proizvodstvennykh ob"yedineniyakh legkoy promyshlennosti" /Management of the Economy at Production Associations of Light Industry/, Moscow, 1977, p 175.

4. A logical continuation of the position, which denies commodity-money relations in internal cost accounting, is the claim that the changeover to associations curtailed within them the commodity-money relations in industry by approximately one-third (instead of approximately 17,000 independent enterprises at the beginning of 1979 there were about 3,900 production associations and 7,200 independent enterprises). Commodity-money relations in the historical perspective will unquestionably disappear, but on the basis of the overcoming of the causes, which give rise to them, and first of all by the development of the qualitative uniformity of labor, which the associations will promote to a certain extent, but not to the extent of the extension of internal cost accounting. The disappearance of commodity-money relations will be result of their proper use, and not their artificial curtailment. At present in certain spheres these relations are even growing stronger, and this was convincingly demontrated by V. A. Medvedev (see V. A. Medveded, "Sotsialisticheskoye proizvodstvo. Politiko-ekonomicheskoye issledovaniye" /Socialist Production. A Politico-Economic Study/, Moscow, 1976, pp 202-203.

5. R. A. Belousov, "Plan, interesy, aktivnost' trudyashchikhsya" /The Plan, Interests, the Activeness of Workers/, Moscow, 1974, p 167.

6. K. Marx and F. Engels, "Soch." /Works/, 2d edition, Vol 26, Part II, p 57.

7. Ibid.

8. K. Marx and F. Engels, "Soch.," 2d edition, Vol 23, p 97.

9. If some expenditures reached the optimum and their further economy is fraught with a worsening of the quality, for the period of the retention of the given technology, which rules out the further reduction of outlays, a stimulus should indeed not be provided for this indicator.

10. The survey was conducted by B. I. Valuyev, Ya. P. Gulinskiy and F. S. Meleshkina.

11. See S. I. Shkurko, "Sovershenstvovaniye form i system zarabotnoy platy" /Improvement of the Forms and Systems of Wages/, Moscow, 1975, p 188.

12. See S. S. Matveyev, Ya. G. Gorodetskiy, S. A. Protserov, "Vnutrizavodskoy khozraschet v avtomobil'noy promyshlennosti" /Intraplant Cost Accounting in the Automotive Industry/, Moscow, 1977, p 44.

13. Production units, scientific research, planning and design and technological structural units within scientific production associations, whose minimum property law basis has been set forth in a general standard manner, constitute the exception.

14. The use of the conventional fee for capital has the goal of interesting collectives in optimizing the requests for new capacities, increasing the shift coefficient, selecting the optimum operating conditions, shortening the downtimes of equipment, maintaining its fitness, decreasing the stockpiles of unfinished production and providing stores of materials and tools at the necessary level. Such a measure is realistic, since the production units are provided with fixed capital by the association, standards of internal working capital are set for them.

15. At the enterprises of the Ministry of Heavy and Transport Machine Building, the Ministry of Power Machine Building and the Ministry of the Automotive Industry nearly half of the workers are covered by the brigade form of the organization of labor, at the enterprises of the Ministry of the Electrical Equipment Industry, the Ministry of Machine Building for Light and Food Industry and Household Appliances and the Ministry of the Machine Tool and Tool Building Industry slightly less than a third are.

16. See "Effektivnost' sotsialisticheskogo proizvodstva i khozyaystvennyy mechanizm" /The Efficiency of Socialist Production and the Economic Mechanism/, K. I. Mikul'skiy, editor in chief, Moscow, 1979, pp 482-483.

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PLANNING AND PLAN IMPLEMENTATION

GOSPLAN OFFICIAL DISCUSSES NEW PLANNING INSTRUCTIONS

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 7, Jul 80 pp 73-83

[Article by M. Chistyakov, USSR Gosplan subdepartment chief: "The New Methodological Instructions for Drawing Up State Plans"]

[Text] By a decree dated 31 March 1980 the USSR Gosplan confirmed the Methodological Instructions for drawing up state plans for the economic and social development of the USSR; they were prepared taking into account the decisions of the 25th CPSU Congress and subsequent party and government decrees, including the decrees of CPSU Central Committee and USSR Council of Ministers "On Improving Planning and Strengthening the Influence of the Economic Mechanism to Increase Production Efficiency and Work Quality" dated 12 July 1979.

They reflect the normative documents adopted jointly by the USSR Gosplan and other state committees on improving planning and economic incentive, the generalized experience of long-term and current planning in ministries, state committees, the union republics, associations, enterprises and organizations, and also the proposals of scientific organizations.

In connection with the adoption of the new methodological instructions, the methodological instructions confirmed by the USSR Gosplan decree of 22 April 1974 (No 48) are rescinded.

The methodological instructions are designed to help ministries, departments, the planning organs of the union republics, associations, enterprises and organizations in the compilation and substantiation of draft plans for the 11th Five-Year Plan, the Main Directions for the period through 1990, and selection of the most effective ways of achieving high final national economic results, insuring in long-term and annual plans the successful solution of economic and social tasks, the rational combination of sector and territorial development, improvement in intersector and intrasector proportions, and the balanced, dynamic development of the economy.

The new methodological instructions differ substantially from the earlier ones in all their salient points. They consist of 27 sections that cover in a unified complex the planning methodology for the entire national economy, sector development, the economies of the union republics and the compilation of goal-oriented, comprehensive programs. The most substantial changes have been introduced into the following sections of the planning methodology.

Planning the Development of Science and Technology.

For the purpose of taking more fully into account the achievements of science and technology in plans for economic and social development, the methodological instructions set forth procedure and methods for substantiating goal-oriented, comprehensive programs to solve the most important scientific and technical problems and problems concerning the comprehensive utilization of natural resources, taking into account the results from fundamental and applied research.

Each scientific and technical program is a directive, address planning document providing for a complex of measures coordinated with the resources, executors and deadlines for fulfillment of planned work related to various spheres of activity (scientific, planning and design, production, construction), whose implementation is essential in solving the most important scientific and technical problems and widely applying the achievements of science and technology in the national economy.

Depending on final aims, the conditions of the work and the makeup of the measures should be worked out in two types of progress for science and technology:

--goal-oriented, comprehensive scientific and technical programs for realizing large-scale scientific and technical achievements that ensure substantial improvement in production efficiency and output quality;

--programs for solving the most important scientific and technical problems, worked out for individual most important salients associated with the creation of essentially new kinds of equipment and technology and with their introduction into practical use. This kind of program also includes tasks for the longer-term directions of science and technology in creating surplus goods for an upcoming period.

In order to ensure fulfillment of each program included in the state five-year plan, head ministries and departments work out developed targets and determine the stages of their completion for the planned five-year period, including final goals, technical-economic results, time periods and stages in completion of the work.

In connection with the rapid development of science and technology and the growing expenditure needed to realize scientific achievements planning efficiency acquires increasing significance. Growth of profit derived from the production and utilization of new technology is taken as the generalized index for effectiveness in implementing scientific and technical measures; this has been confirmed in state five-year and annual plans.

In order to insure the organic coordination of plans for science and technology with the main sections of the state plan, calculations are made that characterize improvement in economic indicators for production output, labor productivity growth, savings in the numbers of personnel and the wage fund, and also savings of material resources. The effect achieved should be included in the corresponding sections of the plans of ministries, associations and enterprises.

At the same time, methods for planning the mastering of production of the most important kinds of new industrial output, the introduction of progressive technology, the mechanization and automation of production processes, the sale and purchase of licenses, state standardization, and the main indicators for the technical-economic level of production, produced output and other subsections, have been made more precise.

For the first time the methodological instructions include methodology for planning technical retooling of existing enterprises. A procedure is set forth in it for drawing up the complex of measures for the corresponding sectors, associations and enterprises for the introduction of new technologic processes, the mechanization and automation of production, the replacement of obsolete equipment, improvement in the organization and structure of production, control, and other measures aimed at improving the technical level and efficiency of production.

The Planning of Goal-Oriented Comprehensive Programs

Goal-oriented, comprehensive scientific and technical, economic and social programs, and also programs for the development of individual regions and territorial-production complexes, should be drawn up as a most important integral part of state long-term plans for economic and social development, insuring coordination of these programs with the corresponding sections of the plan and with material and financial resources.

For the purpose of helping in planning and organizing the fulfillment of the goal-oriented comprehensive programs, the methodological instructions contain a brief methodology for planning goal-oriented comprehensive programs, taking their specific nature into account.

Methodology for compiling scientific and technical programs is presented in the section "Planning the Development of Science and Technology," and for territorial programs in the section "Planning the Economic and Social Development of the Union Republics." The main methodological points for drawing up economic, goal-oriented comprehensive programs are handled in an independent section.

This section contains the procedure and methods for substantiating programs; basic principles for drawing up the list of programs to be included in long-term plans; it includes: the system of main indicators from which the comprehensive programs should be worked out, and also methods for technical-economic substantiation and calculation of progam effectiveness; and principles for determining client programs.

Planning Economic Efficiency

The most important strategic task put forward by the party for the long term is the further raising of the economic efficiency of public production. In accordance with this, methodology for planning production efficiency has been made more precise; the system of indicators has been supplemented with new indicators that characterize improvement in the utilization of labor and fixed capital. Indicators and methods for substantiating the effectiveness of foreign economic ties have been included.

It is emphasized in the methodological instructions that for the purpose of raising the level of scientific-economic substantiation for plans, the USSR ministries and departments, the union republic gosplans, associations, enterprises and organizations should draw up plans for production efficiency according to a mutually coordinated system of indicators. Within the five-year plan these indicators are determined for each year of the five-year plan and are closely coordinated with all sections of the plan, including: the development of science and technology, industrial production, labor, production costs and profit, capital construction, balances and plans for the distribution of material resources, and the plan for norms and normatives.

In the methodological instructions a system of indicators is presented for planning economic efficiency; the indicators are used at the national economic level, the union republic level, and also by sectors of material production (ministries), associations and enterprises. Here the ministries, the union republic gosplans, and associations and enterprises can also apply other indicators for efficiency taking into account the specific nature of production, and also technical-economic indicators characterizing the utilization of the production apparatus of enterprises and sectors. The list of such indicators is determined in the corresponding sections of plan forms and indicators, for which calculation is done using the methodology for the sector.

When working out planning indicators, special attention should be given to the complete involvement in production of available resources and their rational use. Plans should be stepped-up. In order to assist enterprises, associations, ministries and departments, the USSR Gosplan has confirmed Methodological Instructions on procedure for defining the stepped-up nature of plans.

Compiling the System of Balances for the Five-Year Plan

In order to improve the balanced nature of the five-year plan for developing the economy as a unified national economic complex and for ensuring the harmonious development of the national economy, sectors, union republics and economic regions, methodology has been made more precise for working out cost and material balances and distribution plans, balances of labor resources, the national economic balance, the intersector balance of production, and the distribution of output within the national economy, and so forth. For the purpose of improving the balances nature of financial resources, methodology has been set forth in the methodological instructions for drawing up the finance plan for sectors (ministries).

Much attention is devoted in the methodological instructions to substantiation of the balanced nature of real-physical proportions. Basic principles have been formulated in them for the product lists for industrial output from which the balances of material resources should be worked out at the level of the USSR Gosplan, the USSR Gossnab, USSR ministries and departments, and union republic councils of ministers.

The USSR Gosplan will work out, within the body of the five-year and annual plans, balances for material resources and plans for their distribution according to output for intersector use, such as determines the rates and proportions of national economic development, and also according to output of particularly great significance for raising the living standard of the Soviet people, strengthening the country's defense capability and developing foreign economic ties. At the same time, the products list of the USSR Gosplan includes individual kinds of products that enjoy increased demand but which are still in short supply, and also articles acquired in significant volumes by imports.

The USSR Gosplan will work out the material balances in the State Five-Year Plan for the Economic and Social Development of the USSR in 1981-1985 for each year of the five-year plan for about 410 kinds of products, that is, for 1.8 times more than in the 10th Five-Year Plan. Here, for about 330 descriptions of goods, distribution plans will be drawn up for the main capital holders. Distribution plans for capital holders were not worked out for the 10th Five-Year Plan.

The USSR Gossnab will work out balances for material resources for the most important kinds of products for intersector use not dealt with by the USSR Gosplan, and production plans for this output are established by the USSR ministries and departments in agreement with the USSR Gossnab, and also for products designated by the USSR Gosplan for a wider assortment within the limits of its products list.

The USSR ministries and departments and the union republic councils of ministers will work out balances for material resources and plans for their distribution according to the products list of the output assigned to them.

In order to raise the scientific level of substantiation for balance calculations and to ensure the balanced nature of plans, methodology has been made more precise for working out a system of progressive norms and normatives and substantiation methods for targets according to the average decrease in norms for the expenditure of material resources, taking into account the introduction of scientific and technical achievements.

The USSR Gosplan decree No 7 of 11 January 1980 approved a system of progressive technical-economic norms and normatives for kinds of work and expenditures (saving) of labor, raw materials, materials and fuel and energy resources, normatives for using production capacities and specific capital investments, and norms and normatives for determining demand for equipment and cables; this system of norms was worked out with the participation of interested USSR ministries and departments and union republic gosplans. This decree provides for presentation by USSR ministries and departments and union republic gosplans to the USSR Gosplan of the main norms and normatives according to list drawn up regarding their use when drafting the State Plan for the Economic and Social Development of the USSR in 1981-1985.

One of the most important problems in balancing long-term and current plans is meeting the requirements of the national economy for personnel. In this connection, much attention is given in the methodological instructions to methods for calculating and substantiating balances for labor resources and qualified personnel. As before, it is recommended that measures be drawn up when compiling the five-year plan to ensure full employment of the working population by satisfying the people's need for work positions. On the other hand, methods are set forth for substantiating additional needs for personnel, and, above all, concerning the improved use of labor resources. In order to improve efficiency in the utilization of labor resources it is recommended that provision be made in the plan for a significant rise in the level of production mechanization, improvement in labor organization and personnel training. In this way, at existing enterprises, growth in the volume of production should, as a rule, be ensured by means of improving labor productivity, that is, without increasing the numbers of workers, and in some cases, by even reducing it.

The following methodologies are set forth: working out and substantiating the consolidated balance for labor resources; balance calculations for additional need for workers and employees and sources for securing them; need for the training of qualified workers and sources for providing for them; calculations for recruiting young people to work and study. The balance of labor resources and other balance calculations are worked out for each year of the five-year plan for the USSR as a whole, and for the union republics, krays and oblasts.

On the basis of balance calculations for additional need for qualified personnel, plans are drawn up for the training of qualified workers in vocational and technical training establishments of the USSR State Committee for Vocational and Technical Education, in the training establishments of the ministries, associations and organizations, and directly on the job.

In order to determine correct relationships in the five-year plan for economic and social development between people's incomes and retail trade turnover and between the volume of paid services and savings, a methodology is defined for working out a plan balance of the people's monetary incomes and expenditures. As before, this balance is worked out for the USSR as a whole, for the union republics, autonomous republics, krays and oblasts, and also in terms of social groups among the population (workers, employees, kolkhoz farmers).

In the methodology special attention is drawn to insuring the balanced nature of the people's incomes and expenditures for each year of the five-year plan, taking into account the indicators of the five-year plan draft and calculations for it.

For the first time a section has been included in the methodological instructions on procedure for ministries and departments and production associations and enterprises in drawing up five-year financial plans (with the distribution of income and expenditure by years).

In order to improve work on compiling the consolidated financial balance for the entire country, the main provisions on procedure for compiling five-year and annual consolidated financial balances were confirmed by the USSR Gosplan on 21 February 1980. The five-year consolidated state financial balance is the chief form for ensuring the financial resources for measures envisaged in the state plans for the country's economic and social development.

For the purpose of substantiating general economic proportions in the development of the national economy, the methodological instructions, as before, contain methodology for working out the balance of the national economy of the USSR, the union republics and the intersector balance for the production and distribution of output in the national economy.

In the methodology, means of substantiating the most important economic proportions in the national economy are set down, as are methods for making variant calculations to determine the most effective structure of public production, taking into account the solution of the main socioeconomic tasks of the five-year plan with the use of economic-mathematical models of the intersector balance. Methods are presented for analyzing the sector structure of public production and the main factors in expanded socialist reproduction. As before, in this section methods are set forth for calculating the balance of production, consumption and accumulation of the national product; the balance for production, distribution, redistribution and use of national income; and the balance for national wealth (balances for fixed captial and balances for circulating working capital). Indicators for the national economic balance are drawn up in the context of the main sectors of the national economy and the social sectors.

The methodology for compiling the national economic balance makes it possible to conduct a comprehensive analysis of the reproduction of material, labor and financial resources in the union republics, taking into account each one's specific economic traits. Calculations for the union republics are used for substantiating national economic plans for the development of their economies and the rational division of labor among them, and also for analyzing general economic proportions broken down by areas.

Planning Production and Construction

Substantial changes have been introduced into methodology for the planning of industrial production. In the five-year plan for the economic and social development of the USSR, with regard to industrial production, the following indicators will be confirmed by years for ministries, associations and enterprises:

--net production growth (normative), and for individual sectors, commodity production growth in comparable fixed prices, or another indicator for production volume established for the given sector;

--production of the main kinds of industrial output in physical terms, including output for export;

--growth in the production of highest quality output or another indicator for production quality established for a given sector.

Beginning with the 11th Five-Year Plan, it is intended to establish in annual plans the following indicators for industrial production for ministries:

--production ouput in physical terms (in accordance with a more developed products list than in the five-year plan), including output for export;

--indicators for the volume of realized production will be confirmed by the USSR industrial ministries in agreement with the USSR Gosplan, while the republic ministries will coordinate them with the union republic gosplans.

Planning indicators in value terms and production of highest quality output are established by industrial ministries annually, proceeding from the five-year plan targets for the corresponding year.

The volume of net production (normative) is determined on the basis of the production output plan in physical terms according to stable normatives formulated in accordance with the methodological instructions on procedure for working out and applying normative net production in planning. In individual cases when there is an extensive products list and assortment of articles, the volume of normative net production is determined from consolidated (group) normatives calculated for groups of similar products.

Calculation of the volume of net production is done for all elements contained in the makeup of industrial output (finished articles, semifinished goods intended for release elsewhere; work of an industrial nature for use elsewhere and so forth). In the interests of more accurate determination of the volume of normative net production, calculation of it is done for as broad as possible an assortment of articles on the products list so that at least 80-85 percent of the total volume of the output of a ministry (or department) will be covered by direct calculation.

In order to evaluate the fulfillment of obligations for deliveries of products for industrial use and consumer goods by products list (assortment) in accordance with agreements entered into and with job-order specifications to produce products for export, the volume of realized production in the annual plans for associations and enterprises.

Methodology for planning product improvement has been made more precise in accordance with the Methodological Instructions on procedure for planning and estimating production growth for the highest quality category of output, as confirmed by the USSR Gosplan, the USSR State Committee for Science and Technology and the USSR Central Statistical Administration on 12 August 1979. In the five-year plans for economic and social development, targets (divided up by years) are envisaged for industrial ministries for growth in the production of products of the highest quality category and other indicators for product quality, established for a given sector in the form of an indicator for the proportion of products of the highest quality category in total output, determined as the relationship (percentage) of products of the highest quality category to the total volume of output in comparable prices. When working out plans for economic and social development, provision is made for the rational use of the production potential created. Proceeding from this, there has been a substantial reworking in the methodological instructions of the methodology for planning the use of industrial capacities and fixed capital.

When drawing up five-year plans, the USSR ministries and departments and the union republic councils of ministers, with the participation of subordinate associations, enterprises and organizations, should work out comprehensive measures that ensure an increase in the output of high quality products primarily on the basis of improving efficiency in the use of production capacities and fixed capital, primarily through:

--technical retooling and reconstruction of enterprises, introduction of new equipment and technology, and economically expedient modernization and replacement of obsolete equipment;

--elimination of intrasector and internal production disproportions;

--improvement of the shift index for equipment, machinery and mechanisms, a considerable reduction in loss of working time within shifts, a reduction in equipment downtime for major overhaul; an increase in equipment uptime in sectors with an noncontinuous type of production;

--rational use of equipment in auxiliary shops and production facilities and inclusion in production of nonoperational and noninstalled equipment;

--considerable acceleration in assimilating newly commissioned capacities and reaching planned technical-economic indicators within the normatives established, or even more rapidly.

The methodological instructions stress that in measures worked out to improve efficiency in the use of production capacities and fixed capital, full consideration should be given to the possibilities for production and all-union (or republic) industrial associations to further extend specialization, raise the level of production concentration and develop effective cooperative links.

The procedure established is based on growth in the production capacities of associations (or enterprises) on the basis of making economic engineering calculations. Capacities are calculated from technical norms for output or from draft indicators for equipment productivity and the use of production areas, taking into account the application of advanced technology and the most improved organization of production and labor. Here, when technical normatives and indicators for the use of equipment, production areas and the labor-intensiveness of articles are exceeded by a significant group of production leaders (20-25 percent) at any given enterprise or at other enterprises, production capacity should be recalculated against the established progressive normatives and indicators. Practical application of this methodological provision will make it possible to take into account the achievements of leading experience and socialist competition in the plans adopted.

To solve these tasks, industrial enterprises, production associations, ministries and departments make use of reliable figures on the availability and utilization of production capacities and indicators for association (or enterprise) passports compiled in accordance with the Statute on Drawing Up the Instruction Passport confirmed by the State Committee for Science and Technology, the USSR Gosplan, the USSR Central Statistical Administration, the USSR State Committee for Standards and the USSR Gosstroy 4 October 1979.

In order to ensure planning for existing production and new construction as a unified whole, the methodological instructions establish that when drawing up a plan, a determination is first made of the maximum possible volume of output at enterprises in operation at the start of the planning period, taking into account the full utilization of internal production reserves and the elimination of "bottlenecks." To this end, provisions are set in the methodological instructions for planning the shift index and equipment load, and methods are also presented for calculating the commissioning of new capacities needed to produce that part of ouput that cannot be ensured by existing capacity. Special attention is given to improving the level of planning for mastering newly commissioned capacities. The instructions contain clarification of methodology for calculating the use of production capacities not only for individual kinds of output but for the entire enterprise or production association, and also methodology for calculating the balance of production capacities.

The section on methodology for planning the use of fixed production capital has been considerably expanded. Methods for calculating return on investment separately for enterprises commissioned during the planned period have been made more precise; methodological provisions are presented for summary calculation of the balance for main industrial-production capital.

Methodology for planning agriculture has been worked out taking into account the decisions of the 25th CPSU Congress, the CPSU Central Committee July (1978) Plenum and the decrees of the CPSU Central Committee and USSR Council of Ministers on questions of further developing and raising the efficiency of agricultural production. Methodology for plan calculations of field crop production and livestock breeding products has been improved, bearing in mind that production targets should be substantiated by measures for further intensification of agricultural production on the basis of every kind of mechanization and electrification and land chemicalization and reclamation.

Methodology for planning purchases of agricultural products is presented in accordance with the instructions of the CPSU Central Committee July (1978) Plenum which established a precise procedure for determining plan targets for purchases: "In the field of planning purchases of agricultural products it is essential to liquidate the multiplicity of plans and, starting with the 11th Five-Year Plan, to establish for republics, krays, oblasts, rayons, kolkhozes and sovkhozes a single, stepped-up but realistic plan for purchases of agricultural products for the five years broken down by years."*

Methodology for planning the development of the material-technical base for agriculture has been reworked, taking into account the need to ensure a planned transfer of agriculture onto an industrial footing. For the first time the methodological instructions include methodology for planning the development of the national economic agrarian-industrial complex covering plans for the development of agricultural output, agricultural machine building, production of mineral fertilizers and plant protection agents, concentrates and the microbiological industries, the processing industry and other sectors of the agricultural-industrial complex.

The CPSU Central Committee July (1978) Plenum stressed that under the conditions of broad intensification and growing state and kolkhoz investments in agriculture, increasing the efficiency and work quality of kolkhozes and sovkhozes is becoming increasingly topical. Taking these requirements into account, the methodology for calculating economic indicators and the indicators for efficiency in agricultural production has been reworked.

There has been considerable reworking of methodology for planning capital construction. The methodology sets out the procedure and methods for substantiating a stable five-year plan for capital construction, including a breakdown by years for the five-year period, and for ensuring the balance nature of capital investments, material, technological and power equipment and financial resources, as well as for the capacities of construction and installation organizations. The methodology establishes that starting in 1981, the plan for capital construction can include only those construction sites for which planning and estimates documentation and also working blueprints for the volume of work have been confirmed by the established procedure by 1 July of the previous planning year. Accordingly, much attention is given in the methodology to working out itemized lists for new construction sites. In order to ensure the uninterrupted nature and comprehensiveness of planning for construction, itemized lists will become important planning and financial documents for the entire construction period and will be binding on clients, subcontractors, planning, financial and supply organs, and those delivering equipment and structures.

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* L. I. Brezhnev. "O dalneyshem razvitii selskogo khozyaystva SSSR" [On the Further Development of Agriculture in the USSR] Moscow, Politizdat, 1978, page 60.

Methodology for planning planning, survey work and the work of planning organizations has been reworked. For the first time the methodology includes a procedure for drawing up a five-year plan for planning and survey work and the development of the network and the material-technical bases for planning and survey organizations in coordination with the capital construction plans.

The volume of completely finished planning work accepted by the client will become a very important indicator characterizing the work of planning organizations. In order to work out five-year and annual plans for these indicators, on 27 November 1979 the USSR Gosplan confirmed the Methodological Instructions on procedure for drawing up plans for planning and survey work for projects completely finished and accepted by the client for the construction of enterprises, complexes nearing completion, schedules and projects.

Important changes have been introduced into the methodology for planning construction production. The main indicators confirmed in plans for contract construction organizations will be indicators for the commissioning of production capacities and objects, and also for the volume of commodity construction output.

One new thing in planning the commissioning of production capacities and objects is the establishment of targets for this indicator for the organizations contracted to install the main industrial and power equipment, that is, for subcontractors.

The volume of construction and installation work will be planned as an indicator for construction commodity output determined according to enterprises, schedules, complexes nearing completion and projects prepared for production and handed over to the client, or by services rendered.

Substantial changes have been introduced into the methodology for planning labor, methods are set forth for calculating normatives wages per ruble of output for a five-year period, and methods for substantiating indicators for labor productivity growth for the industrial sectors have been made more precise. Methodologies have been included for planning targets to reduce the use of manual labor and for planning the limit on the numerical strength of workers and employees.

In the section on planning production costs and profit and other financial indicators, additional points have been introduced to improve methods for substantiating reductions in production costs, taking into account the saving derived from implementation of scientific and technical measures, and also the broader use of technical-economic norms for the expenditure of labor, material resources and production capacities.

A transfer is envisaged in the 11th Five-Year Plan to the formation of economic incentive funds according to stable normatives confirmed in differentiated amounts for the years of the five-year plan. Here provision is made for two stages in the use of incentive normatives: the application of calculated normatives for determining the size of bonus funds at the stage of drawing up the five-year plan on the basis of control figures, and the use of stable normatives for forming bonus funds differentiated by years during the course of the five-year plan.

Provision is made for estimating stable normatives for the formation of bonus funds through labor productivity growth and increasing the output of highest quality of category goods as a percentage of profit. This will enhance the interest of ministries, associations and enterprises in working out and fulfilling highly efficient plans.

When ministries, associations and enterprises adopt and fulfill counterplans that exceed the five-year plan targets, deductions to the bonus funds for this will be made according to higher normatives, and according to lower normatives in the event of nonfulfillment of the five-year plan. This principle will place those collectives that fulfill and overfulfill five-year targets in an advantageous position.

In the methodological instruction, methodology is set forth for planning consolidated sections for the entire complex of measures in the field of social development within the makeup of state plans for the economic and social development of the country. The text has been supplemented with methods for substantiating indicators in the field of social-demographic development, change in the social structure of society, the development of the socialist way of life, and raising the material well-being and cultural level of the population.

The necessary clarifications have been introduced into methodology for planning economic and social development in the union republics. In this section a concise methodology has been presented for planning territorial-production complexes together with recommendations for improving the working out of balances for local construction materials, the output of consumer goods, housing and municipal and everyday construction, and ensuring balance coordination between the capacities of the construction organizations and the intended volume of capital construction.

Planning methodology has been substantially reworked and clarified in the following areas: environmental protection and the rational use of natural resources, foreign economic links, and improvement in management and other sections of the methodological instructions.

It should be noted that the methodological instructions do not deal with all the features of drawing up long-term and current plans for each sector of the economy. It is therefore essential that each USSR ministry and department and the union republic gosplans, guided by the methodological instructions of the USSR Gosplan, quickly clarify sector and republic methodological instructions, taking into account the peculiarities of the corresponding sectors and facilities of the union republics.

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EXPERTS STUDY ROLE OF CITIES IN ECONOMIC DEVELOPMENT

Evaluation of City's Contribution

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[Article by F. S. Veselkov and A. S. Bystrova; passages enclosed in slantlines printed in italics]

[Text] The article examines the role of the city in economic development, identifies the principal forms of the city's "contribution" to the economy, i.e., to the operating results of branches of physical production and sectors in the nonproduction sphere which are to be distributed to other regions of the country, assesses those results, and also presents indicators for comparative assessment of different cities' contribution to the economy. The authors present a proposal for placing indicators used to evaluate the city's contribution in a specific section in plans of economic and social development of cities because of the great importance of evaluating the effectiveness of the city's participation in the regional division of labor.

The present USSR economy is characterized by rapid development of the regional subsystems of the national economy, including cities. The increasingly elaborate specialization of production and, as a consequence, the increasing complexity of the city's internal and external relations, and the accelerated development of complementary and supporting industries--all of this is gradually transforming cities into multisector complexes in need of improved sectoral and regional planning and management.

The decree of the CPSU Central Committee and USSR Council of Ministers entitled "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality," adopted 12 July 1979, formulated a number of tasks to be performed to improve planning work. Indispensable to their successful performance, to be specific, are methods that make it possible to determine more accurately and to evaluate the city's "contribution" to development of the country's national economy and effectiveness of its participation in the division of labor, for the growth of cities so as to take into account the peculiarities and prospects of their development is one of the principal tasks of regional-sectoral planning and of management of the economic activity of cities.

A city's economy includes the branches of physical production and sectors of the nonproduction sphere. Their activity results in a variety of products and services intended for productive and personal consumption. This is the summary and overall contribution of the city to the national economy.

The results of the activity of the city's production and nonproduction sectors--the diverse products and services--may be divided into two parts. One part is consumed in the city itself. The other portion of the products and services is passed on to other regions of the country in the interest of proportional and efficient development of social production and fuller satisfaction of the physical and cultural needs of all members of society. This share of products and services is the city's "net" contribution to development of the country's national economy. In other words, by the city's net contribution to development of the country's national economy we mean the results of the labor of the city's inhabitants which are consumed outside that city.

So, the city's contribution is a category of relations in distribution. The size of the city's net contribution cannot be measured in terms of the value of the product or national income created in it. Actually, the value of the product created, as we know, is $c + v + m$, and the value of the national income produced is $v + m$, in which c is the value of the means of production consumed in the process of creating the product and the national income, v is the value of the necessary product and m is the value of the surplus product. The share c may not be passed on to other regions, since it is used to replace the means of production consumed within the city's economy. The share v is the source of funds for the personal consumption of the workers employed in the given city's physical production (the wages of workers in physical production in the primary distribution of the product). Consequently, the city can pass on to the country's national economy only the share m, and then after deduction of that portion which is used to maintain the nonproduction sphere and for accumulation in the city itself. Thus the city's net contribution to the country's national economy in value terms is the portion of the value of the surplus product remaining after deduction of that portion which goes to maintain the nonproduction sphere and for accumulation both in the production and the nonproduction spheres of the city.

We will examine the forms taken by the city's net contribution.

The /principal forms of the contribution/ of the city to development of the /country's national economy/ and indicators used to assess it are presented in the table.

Principal Forms of the City's Contribution to Development of the Country's National Economy and Indicators Used To Assess It

Principal form of contribution: Production of industrial products for the national economy

By whom contribution made: Specialized industries producing means of production and consumer goods

What contribution consists of: --

Indicators for evaluating the city's contribution: --

Indicators used to compare cities on the basis of their contribution: --

Principal form of contribution: 1. Volume of output

By whom contribution made: Specialized industries producing means of production and consumer goods

What contribution consists of: Physical resources

Indicators for evaluating the city's contribution: Size of output in physical terms, pieces, referred to as PN; size of output in value terms, millions of rubles--PS; difference between output shipped out and shipped into the city, millions of rubles--VV

Indicators used to compare cities on the basis of their contribution: --; share of output in value terms in the total output of the city's industrial sector, in percentage--DPS; ratio of output shipped out to products shipped in--OVV

Principal form of contribution: 2. Product quality

By whom contribution made: Specialized industries producing means of production and consumer goods

What contribution consists of: Quality of the product

Indicators for evaluating the city's contribution: Value of products in the superior-quality category, in millions of rubles--VK; value of new products, in millions of rubles--NI; value of exports, in millions of rubles--PE indicators used to compare cities on the basis of their contribution: Relative share of products assigned to the superior-quality category in the total volume of output shipped out, in percentage--UVK; relative share of new products in the total volume of products shipped out, in percentage--UNI; relative share of exports in the total volume of products shipped out, in percentage--UPE

Principal form of contribution: 3. Production efficiency

By whom contribution made: Specialized industries producing means of production and consumer goods

What contribution consists of: Economic benefit

Indicators for evaluating the city's contribution: Total profit obtained from reduction of production cost, in millions of rubles--PS

Indicators used to compare cities on the basis of their contribution: Ratio of profit obtained from reduction of production cost to the sum total of profit, in percentage--OPS

Principal form of contribution: Realization of regional intersector production potential

By whom contribution made: Production administrations of the gorispolkom

What contribution consists of: Economic benefit

Indicators for evaluating the city's contribution: Sum total of the economic benefit of measures to mobilize regional intersector production potential, in millions of rubles--MG

Indicators used to compare cities on the basis of their contribution: Share of the economic benefit of the measures of mobilization in the total growth of the economic benefit of the city's industrial complex, in percentage--DMT

Principal form of contribution: Money accumulation passed on to meet the needs of the national economy

By whom contribution made: City's production complex

What contribution consists of: Financial resources

Indicators for evaluating the city's contribution: Sum total of money accumulation, in millions of rubles--DN

Indicators used to compare cities on the basis of their contribution: Share of money accumulation in the sum total of the city's money accumulation, in percentage--DDN

Principal form of contribution: Scientific-technical development projects performed for the national economy

By whom contribution made: City's scientific complex

What contribution consists of: Economic benefit

Indicators for evaluating the city's contribution: Number of development projects, units--KR; sum total of the economic benefit, in millions of rubles--ER

Indicators used to compare cities on the basis of their contribution: --; share of the economic benefit in the total benefit of all scientific-technical development projects, in percentage--DER

Principal form of contribution: Training of specialists for the national economy

By whom contribution made: City's educational complex

What contribution consists of: Labor resources

Indicators for evaluating the city's contribution: Number of specialists, number of persons--ChS; sum total of the economic benefit, in millions of rubles--EK

Indicators used to compare cities on the basis of their contribution: --; share of the economic benefit in the total benefit of training specialists in the city, in percentage--DEK

As we see those making the contribution (subjects) are as follows: specialized industries producing industrial products for the national economy; the city's production complex, which passes on a portion of money accumulation to meet the needs of the national economy; the production administrations of the gorispolkom, one of whose functions is to mobilize regional intersector production potential; the city's scientific complex, which performs scientific-technical development projects for the national economy; and the city's educational complex, which trains specialists for the national economy.

The principal forms of the city's contribution to development of the national economy are as follows: production of industrial products; realization of the regional intersector production potential; money accumulation which the city passes on to meet the needs of the country's national economy; scientific-technical development projects in the training of specialists for the country's national economy. We might also mention other indirect forms of the contribution: assignment of a portion of the city's labor resources to temporary work in agriculture; use of savings account balances of individuals in savings banks to extend credit to the national economy.

Physical, labor and financial resources, economic benefit and product quality may be what the city's contribution to development of the economy, redistributed among the regions of the country, consists of (objects).

Identifying the various forms of the city's contribution makes it possible to follow the movement of the gross social product created by the city's industrial sector from the sphere of production to the sphere of consumption as well as its movement in the opposite direction. Such a form of the country's contribution as the money accumulation of the city's enterprises passed on to the national economy is part of the financial relations between the city (its enterprises) and the national economy of the country as a whole.

/Indicators for evaluating the city's contribution to development of the country's national economy./ A distinction needs to be made between indicators of the city's contribution to development of the country's national economy and indicators of the efficiency of that contribution.

Indicators of the city's contribution to development of the country's national economy are absolute indicators, since the city's "work" for the national economy may be evaluated only by means of such yardsticks as the volume of production, the size of money accumulation, the economic benefit, the number of specialists trained for the country's national economy, and so on.

The indicators of the efficiency of the city's contribution to development of the national economy--regional production cost, labor productivity, production efficiency, and so on--have a different significance. They are used to compare the production resources and costs required to achieve the city's contribution to development of the national economy, and for that reason these indicators are relative.

The absolute indicators of the city's contribution prove to be inadequate if one is solving the problem of comparing different cities with respect to their contribution to development of the national economy. In this case we must also use relative indicators or indicators based on shares.

We will examine the principal indicators used to evaluate the city's contribution to development of the national economy and the indicators used to compare cities on the basis of their contribution.

/Production of products for the national economy./ This form of the city's contribution to the development of the national economy has to do with the activity of the specialized industries of the city's industrial complex in production of means of production and consumer goods. The contribution of the specialized industries is expressed by means of volumes of output which the city passes on to other regions, improvement of product quality and the rise in efficiency of its productive consumption.

1. The volume of output passed on to other regions of the country should be evaluated both in physical and value terms. The volume of output in physical terms should be calculated on the basis of the most important products whose production is the specialty of the city's industrial sector. It is moreover better to record these products in a grouped assortment. For example, the indicator of the volume of output includes 200,000 machine tools and 600,000 motor vehicles. It is advisable to identify within this number those product models which are especially progressive. In the total number of machine tools shipped out, say, one can indicate machine tools with digital programmed control.

The indicator of output in physical terms characterizes the volume of output of those products whose production is the specialty of the city's industrial sector. The dynamic behavior of this indicator from year to year illustrates development of the city's specialized industry. Depending on whether the indicator has been computed for the entire volume of specialized products or only those shipped out, it will reflect the total or net contribution of the specialized industries.

The indicator of the size of output in value terms embraces not only the most important products of the industrial sector, but all industrial products shipped out of the city.

Which indicator of the volume of output should be taken as the basis for computing the volume of output in value terms? The end results of the activity of the city's industrial sector can be evaluated most accurately on the basis of the indicator of the volume of sales under contracts and orders.

The overwhelming majority of specialists feel that the volume of output is evaluated more correctly with the indicator of normative net output, since this eliminates the influence of materials intensiveness on the volume of output and records only their efforts to augment the newly created value.

Under the decree of the CPSU Central Committee and USSR Council of Ministers on improvement of the economic mechanism, which we have already mentioned, one of the chief indicators used for evaluation of performance is to be the indicator of the volume of sales, which is computed on the basis of normative net output and takes into account fulfillment of plans for delivery of products under contracts and orders. The integration of sectoral and territorial planning and recordkeeping necessitates that the city's industrial performance also be evaluated with respect to this indicator.

The indicator of the share of specialized products in the total volume of the city's industrial output must be used to compare different cities with respect to this form of the contribution. The greater this share, the greater the extent to which the city's industrial sector "is working" for the national economy, for the country's other regions. This share of output should also be calculated on the basis of the indicator of normative net output. In this case it will show the share of the newly created value passed on to other regions in the total volume of value newly created by the city's industrial sector.

Some authors propose that an indicator defined as the difference between the value of output shipped out of the city and the value of that shipped into it be used to evaluate the city's contribution to development of the national economy. An indicator of this kind makes it possible above all to identify different types of cities:

specific centers--scientific centers (for example, Obninsk in Moskovskaya Oblast, Akademgorodok near Novosibirsk), health centers (for example, Sochi, Yalta and Kislovodsk), tourist centers (Suzdal'), where industrial and agricultural products shipped in considerably exceed products shipped out. In the system of the regional-sector division of labor these cities can be classed as consumer cities, which at the same time yield a large benefit (scientific or social). In their industrial sector specialized industries are very little developed;

cities with a low level of development of the industrial sector, where products shipped out considerably differ from products shipped in. The typical features of such cities are these: the absence of substantial natural raw material resources nearby, limited labor resources, little development of industrial-technical potential, and low relative share of the industrial work force in the total work force;

major industrial centers (for example, cities with a population in the millions such as Moscow and Leningrad, large cities like Tol'yatti and Noril'sk), where products shipped out considerably exceed products shipped in. These cities can be classed as producer cities, cities which make a large economic contribution to development of the national economy and which have specialized industries in the industrial sector.

In addition to that, the indicator of the difference between the value of products shipped out and the value of products shipped in, and also its modification--the ratio of products shipped out to products shipped in--is able to characterize the level of industrial production performance. For instance for major industrial centers the modified indicator will be considerably higher than 1, for cities with an industrial sector which is not highly developed--it will be slightly higher than 1, and for centers of science, health and tourism it will be less than 1.

2. The quality of products shipped out of the city also characterizes the level of the city's contribution to development of the national economy. In addition to indicators of the volume of output of specialized industries, then, we need indicators that evaluate the actual products making up that output.

The size of a city's contribution from the standpoint of product quality can be evaluated by means of the value of products in the superior-quality category, the value of new products and the value of exports. The following indicators can be used to compare cities according to their contribution to improvement of the quality of products passed on to other regions of the country:

i. the share of products in the superior-quality category in the total volume of products shipped out of the city;

ii. the share of new products in the total volume of products shipped out of the city;

iii. the share of exports in the total volume of products shipped out of the city.

The higher these indicators, the greater the contribution the city's industrial sector is making to development of the national economy.

3. The efficiency of any particular product can be examined from two standpoints: from the standpoint of efficiency in its production and from the standpoint of the efficiency of using it. The city's contribution on the basis of raising production efficiency in the sphere of its production can be evaluated with the indicator of the total profit obtained by reduction of production costs; the relative indicator will represent the share of that profit in the total volume of profit from the production of this product.

A product's efficiency in the sphere of consumption is a form of the contribution related solely to assimilation of articles embodying new technology and new subjects of labor, i.e., means of production. For it is only with respect to them that one can calculate the economic benefit obtained by consumer enterprises.

The contribution in the field of scientific-technical progress which any city makes to the final national economic benefit has two aspects: the all-union aspect and the regional aspect. It is the former, the all-union aspect of scientific-technical progress, that is related to the city's contribution to development of the national economy. For example, the thousands of Kirovets tractors which will be delivered to agriculture in the 10th Five-Year Plan (along with organization of mass production of drawn and mounted machine attachments) make it possible in the country as a whole to reduce the need for tractor drivers by tens of thousands. Leningrad industry's series production of power generating units with a capacity of 800,000 watts (instead of the units with a capacity of 300,000 watts) will make it possible to reduce by one-third the number of operating personnel per unit of installed capacity and to reduce the production cost and specific fuel consumption. Every machine tool of the "machining center" type represents a labor saving of five machine tool operators. Organization of production of economical new shapes of rolled products at the Krasnyy Vyborzhets plant and steel rolling mills will yield a national economic benefit of almost 100 million rubles.

That is why the output of more efficient new technology by a city's enterprises for the country's other regions should be regarded as an important form of the city's contribution to development of the national economy. The greater the benefit of using that technology, the larger the contribution the city is making to raising the efficiency of social production.

The sum total of the benefit of using new technology at consumer enterprises is the indicator used to evaluate this contribution of the city. To determine it we must first establish the list of models of new technology which are being shipped to other regions and are capable of yielding a benefit in their use. This list should include new technology produced on the basis of scientific-technical development projects performed in the reporting year or previously in the given city or outside it. The problem is merely to correctly establish for any model of new technology the period of time (in years) over which it can be described as new.

The decree of the CPSU Central Committee and USSR Council of Ministers on improving planning and the economic mechanism calls for a new indicator--the economic benefit of scientific-technical measures--to be assigned in 5-year and annual plans of production associations and enterprises. This will create conditions conducive to evaluating the city's contribution to development of the national economy on the basis of the indicator of the benefit from use of new technology.

This indicator must be calculated for each model of new equipment on the basis of its actual output in units and the planned benefit on an annual basis to the consumer.

The transition to awarding worker bonuses in all scientific-production and production associations and enterprises for creation and application of new technology as a function of the total economic benefit actually achieved in the national economy from using advances of science and technology will make it possible to calculate this indicator in accordance with the actual, rather than the planned, benefit of measures to use technology, i.e., the benefits actually realized in the national economy.

Knowing the list of articles embodying new technology, the number of units of their actual output, and the benefit from applying each article, we can also calculate the indicator of the total benefit for the city.

There is no economic sense to comparing cities on the basis of the absolute size of the benefit of a product's use. For this purpose we should use an indicator of its level--the ratio of that benefit to the value of the new technology for which it has been calculated. The higher the figure obtained for this indicator, the more effectively this city is helping to raise production efficiency in the country's other regions.

/Realization of regional intersector production potential./ Whereas the forms of the contribution we have examined are related to mobilizing both the sectoral and regional production potential, this form of the contribution characterizes mobilization of only the regional production potential, and specifically the intersector regional potential. The components of this potential are the following:

a) intersector concentration of services supporting production. For example, creation in the city of large enterprises for production of products used in more than one sector--castings, replacement parts, tools, equipment for mechanization of auxiliary operations, innovative production jigs and fixtures, and so on;

b) intersector centralization of productive resources. For example, the centralized collection of worn-out instruments of labor (tools, engine cylinders, tires, returnable containers, and so on) and their reconditioning for reuse;

c) intersector redistribution of production resources. For example, collection and redistribution of worn-out equipment, tools, replacement parts, supplies, cooperation among enterprises and use of single-unit equipment, and so on.

We have enumerated here only some of the types of intersector regional production potential, but actually the components run to more than 50.

The potential that exists and that is intersector in its content can be used only within the limits of the city; here it is the gorispolkom--its production administrations--that is making the city's contribution to development of the national economy (the subject of the contribution).

The gorispolkom, which detects and mobilizes regional intersector potential accounts for the increase in the volume of products produced, improvement of product quality, and the saving of labor, physical and financial resources. As a whole the city's contribution to development of the national economy consists in this case of the economic benefit of performing the relevant measures (the object of the contribution). The indicator of the total economic benefit of measures to mobilize regional intersector production potential can be used to evaluate it.

To compare different cities on the basis of this form of contribution to development of the national economy it is advisable to use the indicator of the share of the mobilization measures in the total growth of the economic benefit of the activity of the city's industrial complex. The higher this share, the greater the contribution the city is making to mobilizing regional intersector production potential.

/Money accumulation passed on to meet the needs of the national economy./ This form of the city's contribution to development of the national economy is related not only to the city's industrial complex, but to its entire production complex, i.e., all enterprises and organizations which are on cost accounting and which create money accumulation in the form of profit and the turnover tax.

The indicator used to evaluate the city's contribution to development of the national economy is in this case the indicator of the city's money accumulation passed on to meet the needs of the national economy, i.e., realized outside the city (DN):

$$DN = NG - SF - BF,$$

in which NG--money accumulation of the city's production complex; SF--that portion left to enterprises and organizations for self-financing; BF--that portion allocated from the state budget to finance the city's development.

The indicator of money accumulation characterizes the extent by which the inflow of money into the state budget from the city's enterprises and organizations exceeds appropriations from the budget to meet the needs of the city itself. Which city is supplying more funds to finance the national economy? The indicator of the share of money accumulation in the city's total money accumulation can provide an answer to this question. The higher this indicator, the more actively the city is participating in financing the economic development of the country's other regions.

/Performance of scientific-development projects for the national economy./ The city's scientific complex includes scientific-research, project planning and design, and production engineering organizations, as well as the scientific-research subdivisions of vuzes, which perform scientific-technical development projects for that city and the country's other regions. The more such development projects there are and the greater the economic benefit from their application, the greater the city's contribution to development of the national economy. This contribution is expressed in terms of the potential economic benefit passed on to other regions of the country.

Here the indicators used to evaluate the city's contribution may be the following: the number of development projects passed on, the total economic benefit from their application, the share of this benefit in the total benefit of all scientific-technical development projects performed in the city.

The indicator of the benefit from application has already been used in the practice of organizing socialist competition. For example, the people of Leningrad, aware of the tremendous importance of augmenting the contribution to the national economic benefit resulting from scientific-technical progress, set themselves the following task in the "Socialist Obligation of the Workers of Leningrad and Leningradskaya Oblast for 1979": "To achieve a final economic benefit to the national economy of 3.5 billion rubles by applying comprehensive scientific-technical developments and up-to-date types of engineering and technology."*

In our view the number of development projects passed on should as an indicator include only those developments of the given year covered by a decision for them to be passed on to production, i.e., those which characterize the final result of the performance of scientific-research organizations. From this indicator one can make a definite judgment concerning the size of the city's contribution to the national economy and the dynamic behavior of that contribution from year to year. In recording the number of scientific-technical development projects it is obviously advisable to include only those developments whose benefit is sufficiently sizable. This simplifies calculation of the indicator by eliminating from it very small development projects, and it will also encourage those development projects which are more efficient for the national economy.

Under the decree of the CPSU Central Committee and USSR Council of Ministers on improvement of the scientific mechanism, which we mentioned above, scientific research, design, project planning and design, and production engineering organizations are being converted to the cost-accounting system of organizing projects to create, put into production and apply new technology on the basis of job orders (contracts), which, among other things, are to state the economic benefit of these projects to the national economy. This creates the conditions necessary for calculation of the indicator of the benefit of application (ER).

This indicator should be determined on the basis of the agreed annual benefit of developments in accordance with the intended extent of application of the developments. The task of awarding bonuses for the creation and application of new technology as a function of the actual benefit also extends to scientific research, project planning and design and production engineering organizations. When this task is performed, it will be possible to evaluate an organization's contribution to the development of the national economy also on the basis of the actual and not just the agreed benefit.

The indicator of the benefit of application reflects the absolute size of the city's contribution to development of the national economy. For comparison of different cities with respect to this contribution we must use the indicator of the share of this benefit in the total benefit of all development projects performed in the city. The higher this share, the greater the extent to which this city is specializing in scientific-technical development projects for the national economy and the more important it is as a scientific center of the country.

/Training of specialists for the national economy./ The educational complex of a large city includes not only general public schools, but also educational institutions training specialists for various sectors of the economy--vocational and technical schools, tekhnikums and vuzes. The more such specialists are sent to work in other regions of the country and the higher their qualifications, the greater the contribution the city is making to development of the national economy.

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* LENINGRADSKAYA PRAVDA, 11 January 1979, p 1.

A city's contribution in the field of personnel training can be evaluated in terms of the following indicators: the number of specialists redistributed to other regions of the country, the total economic benefit of that redistribution of personnel; the share of this benefit in the total benefit of the training of specialists in the city for the entire economy.

The indicator of the number of specialists records the number of graduates of educational institutions who have acquired a particular specialty and who will be working in the sphere of physical production or the nonproduction sphere.

The indicator of the benefit of redistribution of specialists must be determined on the basis of the potential benefit of training specialists on an annual basis and so as to take into account the number and composition of personnel trained. It is advisable for simplicity's sake to use an indirect computational procedure, that is, to calculate the difference in a specialist's annual wage before and after graduation from the educational institution. Here the worker's wage must correspond to his skill category and wage rate, and that of the engineer or technician or employee to his salary. If before entering the educational institution the specialist had not worked, his base wage should be taken at the minimum level--70 rubles per month.

The indicator of the share of the benefit in training specialists can be used to compare different cities. The higher it is, the greater the extent to which the given city is specializing in training specialists for the national economy and the more important it is as an educational center of the country.

Thus the principal indicators used to evaluate a city's contribution to development of the national economy should be reflected ever more widely in the plans of the city's economic and social development; a relevant section should be allocated in plans to this purpose; and in addition, these indicators should also be included in the passports of cities whose development has been recommended by a number of economists.

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Capital Investments

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[Article by V. A. Vorotilov: "Problems of Increasing the Efficiency of Capital Investments and Fixed Capital of a Large City"; passages enclosed in slantlines printed in boldface]

[Text] The article analyzes the outline and drafting principles of a comprehensive program pertaining to the efficiency of capital investments and fixed capital of the industrial sector of large cities. These comprehensive programs are aimed at doing away with the present practice of separate planning of capital construction and production already in operation and at ensuring more effective correlation between sectoral and regional sources of higher production efficiency. The drafting of the comprehensive programs will make it possible to substantiate the capital investments needed by enterprises, industries and the city to achieve the planned growth of output.

The decree of the CPSU Central Committee and USSR Council of Ministers entitled "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality," dated 12 July 1979, points up the need to draft comprehensive goal-directed scientific-technical, economic and social programs as well as programs of particular regions and regional industrial complexes and to ensure the necessary linkage of those programs with the respective sections of the national economic plan and with physical and financial resources.

Programs for raising the efficiency of utilization of capital investments and fixed capital are an integral part of comprehensive regional programs of scientific-technical progress.

The drafting of such programs is one of the means of doing away with the present practice of separate planning of capital construction and production already in operation and also of correlating sectoral and regional sources of higher production efficiency.

/The essence of and need for drafting comprehensive regional programs for raising the efficiency of capital investments and fixed capital./ By a goal-directed comprehensive regional program for raising the efficiency of utilization of fixed capital and capital investments (KPFV) is meant a new form of up-to-date planning of capital investments and fixed capital that ensures correlation of sectoral and regional sources of intensification and linkage of the program's sections with the respective sections of the national economic plan and with physical, financial and labor resources. The comprehensive regional programs for raising the efficiency of utilization of capital investments and fixed capital (KPFV), which represent a new and progressive form of multiannual planning, are characterized by the following features:

i. by formalization and substantiation of the goals which are to be achieved in the planning period in the domain of capital construction and utilization of the productive potential of a large city;

ii. application of an interrelated set of measures in the areas of production, scientific research, socioeconomic affairs, economic organization and other areas necessary to fulfillment of the goals set in the programs;

iii. the working out of effective ways of interrelated achievement of the goals which have been set by enlisting enterprises and organizations in different sectors and industries located within the city, including organizations and institutes in the fields of architecture and layout, scientific research and project planning;

iv. appropriation of the physical, financial and labor resources necessary to performance of the measures intended;

v. distribution of obligations among the entities responsible for performance and the setting of deadlines for completion of efforts under all sections of the goal-directed comprehensive program.

The KPFV's are documents which embody directives and which are specifically assigned. They are compiled and carried out by enterprises and organizations located in a given area as well as by regional administrative agencies. The latter, represented by planning commissions of local Soviets of People's Deputies figure as the main principal, the entity responsible for the drafting, followup and performance of the assignments planned in the program.

Comprehensive programs of this kind are necessary as an effective means toward efficient utilization and qualitative improvement of the productive and scientific potential of large cities.

They are expected, first of all, to ensure that the city's capital investment complex is managed as a unified whole.

Construction and installation organizations constitute an integral part of the capital investment complex, through whose joint efforts projects are activated and then the fixed capital is brought up to rated capacity. The other elements in the capital investment complex are these: scientific research institutes, project planning, design and production engineering organizations, industrial enterprises supplying equipment and building materials, and regional material and technical supply agencies.

Ongoing mutual assistance must be maintained among all participants in the capital investment complex located in large cities.

The drafting of a comprehensive program for raising the efficiency of capital investments is aimed at solving this intersector and interdepartmental problem, which has tremendous importance to correction of shortcomings in capital construction and the utilization of fixed capital.

Second, the KPFV's are expected to incorporate into the national economic plan the important potential for improving the utilization of production capacities and for increasing the efficiency of regional capital investments represented by intersector, interdepartmental and interregional sources of a higher output-capital ratio and lower capital intensiveness of the final output of large cities. It is difficult to overestimate the importance of such sources of economic growth--the creation of intersector production operations, the organization of intersector cooperation of production capacities, combined utilization of raw materials, supplies, fuel, and so on. Unless these are brought to bear, it is not possible to ensure full loading of the production capacities of enterprises in the city's industrial complex.

Third, the KPFV's are indispensable to discovering and maintaining regional-sectoral proportions and the reproduction and utilization of the sum total of the city's technical base. There are many such regional-sectoral proportions specific to regional reproduction. They would include, for example, the following: balance in the volume and composition of the fixed capital of specialized industries and industries for serving the population, on the one hand, and the infrastructure on the other, since this balance is engendered by the requirements of production of the final product; correlation of the volumes of capital investments allocated to enterprises and organizations of the city over the coming planning period with the capacities of construction and installation organizations; maintenance of proportionality between the number of work stations at the present standard of service areas and the number of shifts of operation, on the one hand, and the available number of workers on the other.

Prevention of possible regional-sectoral disproportions in the economy of large cities is one of the important tasks in drafting comprehensive regional programs.

Fourth, these programs are indispensable to planned management of the rise of the economic efficiency of pools of machines and equipment by sectors and regions through radical reconstruction of enterprises, through improvement of regional location of the productive forces, and through management of the results of the effort of scientific research enterprises and organizations. For example, further enlargement of production capacities in large cities is limited to a certain degree by regional, demographic and ecological factors, which in turn is having an ever more noticeable impact on the rise of efficiency of capital investments and utilization of the productive potential of industrial centers.

It is no accident that industrial and housing construction in large cities is frequently accompanied by extension of the zone built up and by withdrawal of valuable farmland from production. Specific capital investments to develop 1 hectare of land increase when this is done. At the present time it costs between 100,000 and 160,000 rubles to develop 1 hectare of land for construction in large cities, whereas in small and medium-sized cities these costs do not exceed 70,000 rubles.

Objective tendencies in the development of the productive forces necessitate comprehensive reconstuction of the economy of large cities in accordance with present tendencies in urbanization and the laws of building the material and technical base of communism. Planning agencies confront the full range of problems in improving economic policy in the field of architectural-layout and city-building development projects, in accomplishing new approaches to the location of production, in the utilization of an ever larger portion of capital investments in the extraurban zone, and in faster development of small and medium-sized cities. The KPFV's, then, should be linked to further development of the regional division of labor, enhancement of the role of production operations belonging to the specialized group, and relocation to the extraurban zone of enterprises and organizations which do not belong to the specialized group.

Planned management of the rise in efficiency of capital investments and fixed capital is also related to a complicated intersector problem like maintaining interrelationships within each regional industrial complex between growth rates (and also the composition of output) of capital-creating and capital-consuming industries.

The production of new products of machinebuilding should moreover be correlated with the need for such products by parks of machines and equipment in each city and in each economic region. We are referring to an important regional problem of planned management of the efficiency of machines and of maintaining their ability for uninterrupted growth of productivity. The KPFV is expected to provide a solution to this problem.

Interrelationship of the growth rates of capital-creating and capital-consuming industries should be planned so as to take into account the time factor. There is a certain (and very sizable) lag between development of the idea of new technology and its realization in practice. For example, this lag in the case of metal-cutting equipment is 7-15 years, consisting of the following: average cycle for the birth of an idea of a new metal-cutting machine tool--2 years; creation of an experimental prototype from the beginning of design--2.8 years; average period for putting the new machine into production--2 years; and period for series-manufacture of the machine tool--7-8 years. But even the ability of this technology to raise the productivity of social labor is limited to a certain period. As parks of machines become saturated with the implements of labor in the model (design) in question, their ability to raise the productivity of social labor decreases.

A complicated problem arises of managing the conditions for the rise of efficiency of capital investments and fixed capital. This problem cannot be solved without programs.

Fifth, the need to draft KPFV's arises from the requirement of linking technical-and-economic, social and ecological sources of a large city's comprehensive development.

Improved utilization of fixed capital and higher efficiency of capital investments are not ends in themselves. They are aimed at performing socioeconomic tasks, i.e., at raising labor productivity and the people's standard of living. Intensification of production, then, must not be accompanied by deterioration of working conditions, rest and recreation, or living conditions, nor by pollution of the environment or other consequences adverse to human health. Prevention of the occurrence of adverse socioeconomic consequences of intensification is one of the important tasks in the drafting of comprehensive programs. It cannot but be taken into account at the same time that improved use of capital investments and fixed capital in turn imposes strict requirements concerning higher worker qualifications, altered social and occupational composition of the work force, as well as changes in the nature of the activity of large cities' social welfare infrastructure that correspond to full utilization of the city's productive potential. For example, increasing the shift coefficient of the operation of equipment makes it necessary to improve the operation of municipal transportation and to revise this operating schedule for the city's utilities and children's preschool institutions.

Local Soviets of People's Deputies are above all interested in drafting regional KPFV's, since they express the interests of the city as a unified whole which are specifically manifested in the need to maintain balanced and efficient development of the city, to eliminate disproportions, to develop the infrastructure, to protect the environment, and to create favorable conditions for the citizens' work, rest and everyday life.

It follows, then, that regional planning agencies, which have a direct interest in correlating sectoral and regional aspects of investment policy and the use of regional production capacities, have a responsibility to draft KPFV's jointly with enterprises and organizations located within the city. In the course of this work regional planning agencies perform two basic tasks: 1) creation of the conditions that ensure high work efficiency at all enterprises located within the given area regardless of their departmental subordination; 2) assurance of further qualitative improvement of the production and nonproduction spheres and higher prosperity for all inhabitants of the city.

In our view the following are necessary if regional planning agencies (gorplans [city planning commissions]) are to be able to supervise these programs: designation within the planning commission of a division or subdivision responsible for supervision of the drafting of the program and its fulfillment insofar as organization and methods are concerned; inclusion in the sectoral plans of ministries, associations and enterprises a specific division entitled "Intersector Strategies for Raising Production Efficiency"; inclusion in the regional plans of cities and administrative rayons a specific section entitled "Measures To Mobilize Intersector Productive Potential"; expansion of sources of revenues of local budgets and detailed statement of purposes being financed, including intersector production operations, the social welfare infrastructure, specifically including housing construction; improvement of financial relations of enterprises and organizations located in the city with the local budget by transfers of a portion of profit to the local budget; the drafting of the city's financial plan as a unified whole and expansion of rights and duties and also enhancement of the motivation of local agencies to make optimum use of regional finances.

/The outline of the comprehensive program for raising the efficiency of utilization of capital investments and fixed capital/ should in our view include the following six complementary sections.

An analysis of the efficiency of utilization of capital investments and fixed capital in the preplanning period comprises the contents of the first section. Its principal purpose is to discover disproportions that have come about, to evaluate the unused potential that exists, to determine the constructive and adverse tendencies in utilization of the productive and scientific potential of large cities. The center of attention is shifted here to an analysis of intersector and interregional problems which can be solved only with the help of regional planning agencies.

The result of the first section should be a list of the most important tasks whose performance is indispensable in the planning period to raise production efficiency and to correlate sectoral and regional sources of intensification.

The second section should contain a list of basic and supplemental programs, an economic justification of the benefit to be obtained from their performance, the final results from adoption of the respective measures to the economy and deadlines for completion of the work. As a function of the deadline for completion all the measures are included in the long-range (up to 20 years), medium-term (up to 10 years) and short-term (up to 5 years) goal-directed programs.

The analysis of utilization of capital investments and fixed capital in the preplanning period makes it possible to identify relevant directions for intensification of the large city's production and technical capability. There may be quite a few such directions. The most important, so to speak--key, problems, those whose solution guarantees high social and economic effectiveness, should be chosen.

For example, the following problems of an intersector nature might be represented in a goal-directed program:

i. distribution and use of capital investments in connection with comprehensive reconstruction of the large city's industrial sector so as to take into account elimination of regional, ecological and demographic constraints that have come about and that are holding back improvement of the use of equipment and the rise of production efficiency;

ii. comprehensive renewal of the fixed capital of the production and nonproduction spheres of the large city's economy on condition of higher labor productivity and provided the city's enterprises are guaranteed a work force in terms of the required labor supply;

iii. attainment of the average standard level of utilization of the large city's productive potential, assuming sectoral and regional sources of intensification are put into effect. The list of such problems might be continued.

Performance of a major goal-directed task is projected over the long range. It is broken down into partial tasks, which can be looked upon as goal-directed tasks for the 5-year or annual plan.

Construction of industrial parks, creation of specific intersector production operations (for example, to repair manufacturing equipment), the transfer of specific enterprises not belonging to the city's specialized industries outside the city limits, and so on--might comprise the contents of partial subprograms.

Every measure in the program and subprogram should have a justification showing the results anticipated, the capital investments necessary to their accomplishment, payoff periods of outlays, and identification of the entities responsible for performance.

The third section of the regional comprehensive program pertains to the interrelated work of substantiating the system of norms and standards. The transition to the normative method of planning production is making this section more important and is transforming it into a mandatory part of drafting the program. Moreover, this section should reflect not only the sectoral aspects, but also the regional aspects of the formation of quotas and standards.

The system of standards is indispensable to discovering the results of the measures which have been performed and to calculating the resources required. They would include standards pertaining to the shift coefficient of the operation of equipment, the amount of effective time available, the efficiency coefficient of capital investments, construction time, the period for attainment of rated capacity, etc.

Here two approaches are possible to constructing the regional standards: the first is aggregation of sectoral standards; and the second is to create new ones, i.e., standards independent of the sectoral standards.

An example of the first approach is to draft regional norms of the shift coefficient of operation of equipment, i.e., the socially normal shift coefficient of equipment in that particular city or in its administrative rayons. Such standards are set by planning agencies by aggregating the differentiated sectoral norms. Since in the city's different rayons the parks of machines will differ, the regional standards will also be different from one another. For example, the standard shift coefficient of equipment for the park of metal-cutting machine tools in 1977 was 1.81 in Vyborgskiy Rayon in the city of Leningrad (according to our calculations), 1.77 in Kuybyshevskiy Rayon, 1.70 in Frunzenskiy Rayon, and so on. For the industrial sector of Leningrad as a whole it was 1.72 (while the actual shift coefficient was 1.4).

The standard of the efficiency of capital investments can serve as an example of the second approach to setting a regional standard. The efficiency of the city's specialized industries is assessed against the unified national economic standard. Here again current practice is justified. But to assess the efficiency of infrastructural sectors, the unified national economic standard is inapplicable. In any region specific conditions for the conduct of economic activity take shape. To plan for local production industries the same benefit per ruble of capital investments as are planned in the specialized industries, without taking into account differentiation of natural conditions, worker skills, and the makeup and structure of industries located here, would be to put different regions in unequal conditions for the conduct of economic activity.

Research has shown that payoff periods for capital investments of this kind vary from one administrative rayon of the country to another. More than that, they differ substantially in one and the same industry and even along one and the same direction of scientific-technical progress. For example, in the years of the Ninth Five-Year Plan the payoff period of capital investments to mechanize production in sectors serving the public was 2.9 years in Leningrad, 3.1 years in Moscow, 4.5 years in Novosibirsk, and so on.

The devising of new differentiated norms and standards for industries and sectors which are specifically urban and also the formation of aggregated standards comprise an important part of the work to shape the KPKO [expansion unknown].

The fourth section of the comprehensive regional program is intended for substantiation of the capital investments the city needs and the growth of fixed capital to account for the planned growth of output and related to performance of measures to attain the standard level of the large city's productive potential.

If the city has been allotted capital investments up to a certain limit, and if the volume and also composition of products and services have been determined, then the purpose of this section is selection of the most effective alternative for carrying out the measures outlined; if capital investments up to a certain limit have not been determined, then not only are the alternatives of the measures chosen, but the amounts of capital investments required to perform them are also determined.

The following principles should serve as a guide in substantiation of these capital investments the city requires.

1. Preference in the growth of output is to be given to growth based on improved utilization of existing fixed capital. Accordingly, the planned growth of output and services is broken down into two parts: the source of the first is improved utilization of fixed capital, and the source of the second is capital investments (scientific-technical progress).

2. Substantiation of the capital investments the city needs on a normative basis. For this purpose the growth of output which is to result from capital investments is multiplied by the standard capital intensiveness.

3. Discovery and assurance of regional balance of the growth of fixed capital in the principal sectors and industries, in auxiliary sectors and industries and in the sectors comprising the infrastructure.*

Regional amounts of capital investments are determined relative to the output of the principal sectors and industries. Investments in auxiliary industries and sectors and in the infrastructure are regarded as accompanying investments and are added to the direct investments.

It is very important to restriction of the excessive growth of large cities that the accompanying investments be taken into account. The widespread opinion that capital investments to develop specialized industries in large cities are highly efficient is based on very debatable premises. It is not excluded that inclusion among capital investments of accompanying outlays which the city must make in order to expand the specific specialized sectors or industries could lead to a situation in which construction of many projects in small and medium-sized cities would prove more expedient.

The fifth section of the comprehensive regional program contains the necessary technical-and-economic justifications of interlinkages of the indicators of efficiency of utilization of fixed capital and capital investments with indicators of the most important sections of the plans of economic and social development of enterprises and of the city's industrial complex as a whole.

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* By contrast with the principal and auxiliary sectors and industries, which create products which take physical form, the infrastructural sectors do not create a social product in its physical form. These would include types of activities creating general conditions for production: providing utilities to sites, conditions for preservation of inventories and accomplishment of their circulation in the economy.

Linkage in the sectoral and regional breakdowns of measures of the program to the financial, physical and labor resources of enterprises and of the region is here the principal content of the work. It is here that substantiation must be provided for the necessary growth of output, reduction of production cost, improvement of quality and other benefits of the actual performance of the measures contained in the comprehensive program.

It is very important to substantiate balance between the amounts of capital investments and the capacities of construction and installation organizations.

In this stage of shaping the goal-directed program substantiation is given to the necessary balance between the results of the work done by the scientific research complex and capital-creating industries on the one hand and the capital-consuming industries and sectors on the other. Without this kind of correlation there would not be the machines, equipment and other implements of labor to perform the measures intended by the deadlines which have been set.

Interrelated efforts to bring the various measures of the program into conformity with measures to improve the transportation network, to develop housing construction and utilities and municipal services should be included in the same section.

Because the comprehensive goal-directed program is correlated with financial, physical and labor resources as well as with scientific research development projects and development of the infrastructure, every measure included in the program is specifically assigned and is provided the necessary material backing.

The sixth section of the comprehensive program is its concluding part. It contains an assessment of the strenuousness of the indicators of efficiency of capital investments and fixed capital represented and correlated with the other sections of the comprehensive plans.

This contains an overall assessment of the results to be expected from the KPKO, unresolved problems are identified, and those tasks are singled out which are to be completed in subsequent years.

These are the principal sections and logic we propose for the structure of regional programs for raising the efficiency of utilization of fixed capital and capital investments for a large city.

/Certain organizational and methodological questions concerning the drafting of regional goal-directed problems for raising the efficiency of capital investments and fixed capital./ The KPFV's should be drafted to cover a period of 20 years, with the assignments broken down into 10-year periods and with a detailed elaboration of assignments for the next 5-year period. Every 5 years the program is stated in specific detail, and the time it covers is extended accordingly.

Supervision over the creation of such programs should be assigned to city planning commissions, who would be aided by scientific research institutes and vuzes and--in the larger cities--by institutes of the Academy of Sciences.

City planning commissions act in the role of the organization that is the client for the drafting of the comprehensive program, and it enlists enterprises and organizations located in the city to participate in carrying them out. Supervision over specific subprograms may be delegated to ministries and departments. The organization which figures as the client, acting on instructions from local soviets, designates the principal developer, an organization which in accordance with the goal-directed tasks defined by the client drafts the entire program or the parts that make it up.

The drafting of the programs should be completed 2 years in advance of commencement of the new 5-year period. They should be compiled and adjusted systematically, step by step.

The first stage of the work begins with the fourth year of the current 5-year period. In this stage the methodological materials and instructions are revised.

The second stage of the work comes in the last year of the current 5-year period. It is then that the norms in effect are revised or new ones drafted, and an analysis is made of utilization of the productive and scientific potential of large cities.

The third stage extends over the following 3 years of the new 5-year period; in this stage the 5-year program compiled previously is carried out, and in the third year the comprehensive regional program must be completed for the next 5-year period. In this 3-year period the program is compiled, it is correlated with physical and financial resources, and it is submitted for approval to policymaking bodies along with the regular program of scientific-technical progress.

The drafting of the program imposes many new and complicated methodological problems on theory and practice.

First of all these are problems having to do with substantiation of the absolute and comparative efficiency of capital investments to carry out the comprehensive goal-directed programs.

The methods of this substantiation must, of course, conform to the principles of the Standard Method. But quite a few new problems engendered by the specific nature of this program are arising in this connection.

There is also a need for such new indicators reflecting the efficiency of the program as a whole as full capital investments over the entire range of interrelated production operations to attain the ultimate result and full--that is, for the sum total of production operations as a whole--current costs. There is a need for sounder substantiation of methods of calculating the final product of the comprehensive regional program and its individual measures, of labor productivity, of the output-capital ratio, of specific capital investments per unit of the final product, i.e., the output of the principal industries.

Methods of evaluating the comparative efficiency of capital investments should be made more specific. After all, the comprehensive programs do not have analogs. They are one of a kind. The question therefore arises of selecting the basis for comparison of alternatives.

Assessment of the absolute efficiency of capital investments to carry out a comprehensive program also has quite a few specific peculiarities. The benefit of the comprehensive program comes about by virtue of technical-and-economic, social and ecological sources of intensification. And each of them must be estimated in quantitative terms. The worthwhile results of eliminating departmental barriers and activation of regional sources of intensification should be reflected in the volume and dynamic behavior of the comprehensive program's absolute benefit.

There is a need to revise the classification of fixed capital for the case of the regional economic structure of large cities (specialized industries, sectors and industries serving the public and sectors making up the infrastructure), to study methods of constructing regional standards governing utilization of fixed capital and efficiency of capital investments, to develop methods of analyzing utilization of fixed capital and the efficiency of capital investments from the regional standpoint, and to solve many other problems.

As for classification of fixed capital from the regional standpoint, it is a question of distinguishing the fixed capital of the most important regional components of the city's economy as enumerated above. This kind of classification offers the necessary conditions for planning regional fixed capital, i.e., for the interrelated sum total of all instruments of labor located in the given area regardless of their departmental jurisdiction. We are referring not to a mechanical conglomerate, but to the sum total of assignments, installations, machines and equipment unified by the division of labor and by the regional exchange of economic activity. Examined as a whole and in their interrelationship, they comprise the aggregate use value of the region's fixed capital.

The need has arisen to plan regional production capacity, i.e., the aggregate capacity of specific parks of machines and equipment located in a given area, which will make the following possible:

i. to ensure correlation of sectoral and regional production capacities in the drafting of comprehensive plans of economic and social development and thereby to lessen considerably the incompatibility of equipment in the various economic entities of the regional complex and to enhance the role and responsibility of regional planning agencies as to the fullest utilization of unused potential;

ii. to motivate sectoral and regional planning agencies to achieve intersector and interdepartmental cooperation of production capacities, since without this kind of cooperation the regional production capacity planned on the basis of standards will not be fully utilized.

The regional production capacity should be calculated for specific parks of machines not only for the coming year, for the 5-year period, but also for a lengthy period, i.e., it should be the basis for working out strenuous planning assignments.

The drafting of the comprehensive program makes it necessary to improve the procedural basis for analyzing reproduction and the utilization of fixed capital. The methods of sectoral analysis have not been worked out with sufficient soundness at the present time. This cannot be said of the methods of analyzing the regional aspect of reproduction and utilization of fixed capital. Here there are no procedural recommendations whatsoever, much less normative and legal principles. Analysis of regional potential and its reflection in the comprehensive plans of economic and social development of enterprises, sectors and industries, cities and regions requires relevant procedural developments.

Regional renewal of fixed capital is characterized by specific peculiarities. One of them is the need to renew the entire sum total of a city's fixed capital under condition of eliminating disproportions in the growth of production capacities of the individual regional components of its economy and of attaining the greatest final growth of products and services.

Another peculiarity is that regional renewal of fixed capital is supposed to guarantee that the number of work stations at a given number of shifts and given standard service area conforms to the number of workers available in the given city (region). Methods of solving this problem need to be worked out more thoroughly.

Along with regional balances of reproduction and of utilization of fixed capital, methods of substantiating intersector regional balances of reproduction of the gross social product should also be developed. That would create conditions for determining socially necessary amounts of fixed capital and its regional composition. Intersector balances make it possible to reflect related fixed capital in auxiliary and infrastructural units of the regional economy. The grand total of the value of the fixed capital of the specialized industries, industries and sectors serving the public, and auxiliary and infrastructural economic entities of the city comprises the regional fixed capital of the large city, whose minimization per unit benefit in terms of the final product is one of the tasks of the comprehensive goal-directed programs.

The structuring of the KPFV is based on development of standards and use of patterns of formation of economic efficiency under the impact of introduction of the measures of scientific-technical progress.

The comprehensive approach to creation of standards is manifested not only in the technical-and-economic, social and ecological factors taken into account, but also in the unity of the intersector approach to applying some of these standards. This applies, for example, to the standard number of shifts of operation of equipment. This standard should be binding in all stages of substantiating the efficiency of capital investments: project planning of new technology, its introduction and its use.

When new equipment is planned at the present time consideration is given to a two- and even three-shift operating schedule, whereas actually it operates a considerably smaller number of shifts. As a result the national economy is failing to receive a sizable benefit. Actual efficiency proves to be less than that anticipated, and the efficiency coefficient is below that which was calculated. The unity of approaches to standards in the stages of the manufacture of technology and its operation is ensured by the drafting and practical fulfillment of comprehensive programs.

The development of principles and methods of managing the necessary growth rates of the efficiency of each sectoral and regional park of machines is a particularly important methodological basis for structuring the KPFV's. The capability of the instruments of labor to achieve the economic benefit depends on the renewal of technology, on the dynamics of individual and social use value of the machines, i.e., on the qualitative condition of fixed capital, which is ultimately determined by the results of the efforts of the scientific research complex.

The drafting of comprehensive regional programs for raising efficiency of utilization of capital investments and fixed capital is an important component of regional planning. The foundations for constructing it in terms of methods and organization need to be made more specific.

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